AFRICA RECOVERY

United Nations Department of Public Information Vol. 13 No. 1 June 1999

Likely revenue losses worry some Southern African states

South Africa and European Union conclude sweeping trade agreement

South Africa GCIS

Busy commercial port in Saldanha Bay, South Africa: wide-ranging pact with EU will bring freer trade, but also reduce fiscal revenues of South Africa's neighbouring trade partners.

By ***Jacqueline Irving***

South Africa has signed a wide-ranging trade pact with the European Union (EU), which South African Minister of Trade and Industry Alec Erwin described as "the most comprehensive economic agreement" the country has ever concluded with "any other partner." But several of South Africa's smaller regional trading partners are likely to be hard hit by revenue losses and other repercussions of the new arrangement, concluded with the EU on 26 March.

Botswana, Namibia, Lesotho and Swaziland will stand to lose up to 15 per cent of fiscal revenue as tariffs are scrapped under the pact. Because of their strong economic ties to South Africa through the Southern African Customs Union (SACU), the deal means the four smaller economics will be obliged to accept a de facto free trade area with the EU. South Africa, however, must still win the unanimous support of its SACU partners before the deal can take effect.

And because of South Africa's membership in the 14-nation Southern African Development Community (SADC), the agreement has broader significance for other countries in Southern Africa, raising fears that many sectors across the region will become vulnerable to intense competition from European producers (see page 23).

The Trade, Development and Cooperation Agreement (TDCA) will open up South Africa's market to 86 per cent of EU goods over a 12-year period, while opening the 15 EU economies to 95 per cent of South African goods over a 10-year period. The EU — already South Africa's largest market, source of foreign investment and development aid — pledged to drop average duties on South African goods from 2.7 per cent to 1.5 per cent. For its part, South Africa agreed to cut average duties on EU goods from 10 per cent to 4.3 per cent. The deal is also notable for the EU because it constitutes the first time that the regional grouping has included agriculture in a bilateral free trade agreement. Following ratification by South Africa and the EU, the agreement is slated to be phased in beginning in January 2000.

Many exceptions and protocols

The result of nearly four years of hard-nosed bargaining during 22 rounds of talks, the final compromise includes many exceptions and protocols. Following two days of intense discussions in March, the final barriers to reaching agreement were swept away when Spain

turn to page 20

Country in focus: Nigeria

For the first time in 15 years, Nigeria has a democratically elected government. But President Olusegun Obasanjo (right), newly inaugurated on 29 May, faces a host of complex challenges confronting Africa's most populous nation. A legacy of mismanagement and decay, high indebtedness, uncertain international oil prices and persistent political turbulence will make the road to recovery a difficult one. Yet the continent's second largest economy also holds enormous potential.

pages 8-17

AFRICA RECOVERY

United Nations
Vol. 13 No. 1 June 1999

contents

Cover Stories

South Africa and EU strike sweeping trade deal 1

SADC pushing toward free-trade area 21

Trade pact's wider Southern African impact 23

Country in focus: Nigeria

Nigeria's economy at the crossroads 8

Oil a mixed blessing for Nigerian economy 10

Deterioration in education and health services 12

Agriculture lags, despite potential 14

Delta communities protest neglect 15

Harnessing abundant gas reserves 16

South African Tourism Board

Also in this Issue

Landmine ban marks more progress 3

Making development gender sensitive 5

Donors shift more aid to NGOs 6

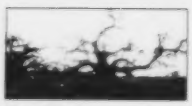
Ecotourism propels development 18

Getting African films on screen 24

Departments

Agenda 26

Books 26



Baobab 25

Briefs 27

Watch 28

Africa Recovery is published in English and French by the Library and Publications Division of the United Nations Department of Public Information, with support from UNDP and UNICEF. Its contents do not necessarily reflect the views of the United Nations or the publication's supporting organizations. Material from this newsletter may be freely reproduced, with attribution, and a clipping would be appreciated.

Correspondence should be addressed to:
The Editor, Africa Recovery
Room S-931, United Nations, New York 10017 USA
Tel: (212) 963-6857 Fax: (212) 963-4556
e-mail: africa_recovery@un.org

Subscribe to *Africa Recovery*

Annual subscriptions are available to individuals for $20 and to institutions for $35. Please send an international money order or make cheques payable in US dollars, drawn on a US bank, to the "Africa Recovery Trust Fund" and send to Circulation at the address shown above. For those who lack the means to pay the subscription fee, a limited number of complimentary subscriptions are available. Please send a clearly written application to the editor.

Africa Recovery is printed on recycled paper.

Editor-in-Chief
Peter Mwaura

Managing Editor
Nii K. Bentsi-Enchill

Editor
Ernest Harsch

Editorial Assistant
Frehiwot Bekele

Writer
Jacqueline Irving

Production
Parvati McPheeters

Secretary
Alice Wairimu Kariuki

Distribution
Adria Markman

Our internet address:
www.un.org/ecosocdev/geninfo/afrec

Landmine ban marks more progress

Treaty signatories, meeting in Mozambique, pledge total eradication

By **Paul Fauvet**
Maputo

At a five-day conference in Mozambique of the signatories to the Ottawa convention outlawing anti-personnel landmines, Chad and Côte d'Ivoire announced that they had ratified the treaty, bringing the number of ratifying countries to 81. Thus far, a total of 135 states have signed the convention, including 48 of the 53 countries in Africa.

Participants in the conference, which concluded on 7 May, declared their "unwavering commitment to the total eradication of an insidious instrument of war and terror: anti-personnel mines." They also committed themselves to ensuring full compliance with the goals of the treaty, namely, to ensure no new use of mines; to eradicate stocks; to cease development, production and transfers; to clear mined areas; and to help landmine victims reclaim their lives. "We believe these to be common tasks for humanity and therefore call on governments and people everywhere to join us in this effort," said their declaration.

Never in the history of international law have so many countries acceded to a treaty in such a short time.

Rapid acceptance

The Ottawa treaty has been in existence only since December 1997. Never in the history of international law have so many countries acceded to a treaty in such a short space of time. Much of the credit goes to the energetic work of the coalition of non-governmental organizations (NGOs), the International Campaign to Ban Landmines (ICBL), which attended the Maputo conference on virtually equal footing with the signatory countries.

The ICBL produced a 1,100-page *Landmine Monitor*, exhaustively surveying the landmine situation around the globe since December 1997, and gave copies to each of the more than 100 delegations in attendance. The report contained some very positive news, indicating that revulsion against the use of anti-personnel mines is becoming the norm in international politics.

The *Monitor* identified 13 conflicts since December 1997 in which it was likely that landmines had been used, and another five in which unproven allegations had been made. "While even one is too many, this number is surprisingly low," ICBL spokesman Stephen Goose told the conference. "Mines are clearly no longer being used automatically and without consideration of the human consequences."

Production of landmines is clearly in decline. The ICBL says that 38 nations have stopped producing these weapons, while in only 19 are armaments industries still manufacturing anti-personnel mines. There is no evidence of any country exporting mines in recent years. Indeed, all known past exporters, with the exception of Iraq, have publicly declared a halt to such exports. Eight of the 12 largest producers and exporters of the past 30 years have signed the Ottawa treaty.

Every country in the Western hemisphere has signed except the US and Cuba, every member of the European Union except Finland, every member of the North Atlantic Treaty Organization except the US and Turkey, and every member of the Southern African Development Community except the Democratic Republic of Congo.

Work has begun on eliminating stockpiles of landmines, with at least 30 nations destroying more than 12 mn of their mines. But that still leaves global stockpiles of more than 250 mn mines. The ICBL insists that destroying them is the only way of ensuring that they never go into the ground.

AIM / Fergal Mernagh

Landmine clearing in Mozambique: specially trained Alsatian dogs sniff out mines missed by other removal methods.

Non-signatories and violators

Some 50 countries remain outside the treaty — including three veto-wielding, permanent members of the Security Council, the US, China and Russia. But even they have been demonstrating some movement. The US has indicated a willingness to sign, but only in the year 2006, and only if it can find alternative weapons, supposedly to defend the Republic of Korea. Russia has expressed willingness to sign "in the foreseeable future." And China now says it supports "the ultimate objective of comprehensive prohibition." The US has destroyed 3.3 mn of its mines, and Russia 500,000.

Several non-signatories felt obliged to attend the conference. Representatives of both Turkey and Sri Lanka made speeches in which they claimed that they were regrettably unable to sign the treaty at the moment because they are fighting "terrorists" who lay mines.

The Turkish delegation reacted angrily, however, to claims in the *Landmine Monitor* about the Turkish army's use of mines, and claimed it had not laid any anti-personnel mines since December 1997. The ICBL found such a denial encouraging, since previously Turkey had always insisted on its right to use mines in its war against Kurdish rebels. "This defensiveness on the issue is new," Mr. Goose told reporters. "If there is a new Turkish policy of no use of landmines, I would be delighted."

turn to page 4

Ms. Jody Williams, co-winner of the 1997 Nobel Peace Prize with the International Campaign to Ban Landmines.

The ICBL, and many other conference delegates, were angry at reports that at least two signatories, and possibly three, all in Africa, have disregarded their treaty obligations and continued to lay mines.

The Angolan armed forces have openly used mines in their war with the UNITA rebels. Angolan Deputy Foreign Minister Toko Serrão told Mozambican reporters that his government was entitled to use landmines "because we are at war." The ICBL's roving ambassador and Nobel Peace Prize laureate Ms. Jody Williams responded at a press conference that it is "unconscionable that the government is laying new mines when Angola is already one of the most mine-contaminated countries in the world. You can't give up landmines only when you're at peace."

The then government of Guinea-Bissau also was accused of using mines in the 1998 civil war, as was the Senegalese intervention force assisting that government. The Senegalese delegation, however, denied the ICBL's charges, and claimed that it was committed to implementing a total ban on landmines.

Debate on funding

Mine-affected countries that do not sign the treaty, or which sign but then violate the treaty, are likely to find funds for mine clearance reduced or even cut off entirely. The Netherlands and several other European Union countries made no secret of their anger at the Angolan position. Ms. Williams said she had told an Angolan delegate that donors "will be more inclined to fund people who don't lay new mines. He was shocked by that. That delegate sounded out the donors and came away with the same information."

The Australian delegation countered that funds for mine-clearance should be allocated strictly on humanitarian, not political, criteria, and indeed that civilians need assistance particularly in situations where new mines are being laid. But the general sentiment at the conference was that funds are limited and should go as a matter of priority to those countries that show themselves committed to the landmine ban.

As expected, there was a warning in the conference declaration that "as a community dedicated to seeing an end to the use of anti-personnel mines, our assistance and cooperation will flow primarily to those who have forsworn the use of these weapons forever through adherence to and implementation" of the Ottawa treaty.

Clearance difficult, costly

Mine clearance is an expensive and time-consuming process. Mozambique is one of the countries that has received most donor aid for mine clearance, yet over the past 5 years only an average of 11,000 mines a year have been removed.

No one knows how many mines have been laid in Mozambique — some were planted during the anti-colonial war in the 1960s, some during incursions by Rhodesian troops in the 1970s, some during the war against South African-backed rebels in the 1980s and early 1990s. Estimates vary from 300,000 to 2 mn mines. Even if the lower figure is accurate, at the current rate of clearance it will take almost 3 decades to eliminate every mine. If the upper figure is true, it would take more than a century. But the Ottawa treaty gives signatories just 10 years to demine their territory completely. To meet this ambitious target requires that more resources be devoted to mine clearance, and that new technologies be developed.

Mine detectors do not really detect mines at all — they detect metal. According to Mozambican Foreign Minister Leonardo Simão, for every mine detected, 2,000 other pieces of metal are unearthed, ranging from bullets to beer cans. Much more sensitive means of detection are needed if the treaty target is to become feasible.

Mechanical demining was once regarded as a substitute for manual demining. Heavily armoured vehicles ploughed up the land and exploded all the mines in their path: in a few days land was cleared that would have taken traditional sappers months to make safe. Unfortunately, in the Mozambican experience, these heavy machines simply did not catch all the mines, and so sappers still had to come in their wake for any that were missed.

A South African company, Mechem Demining, which is clearing minefields around the Massingir dam in the southern Mozambican province of Gaza, uses a triple method of machines, sappers and dogs. The vehicles go in first and explode perhaps 80 per cent of the mines. Then come the sappers with mine detectors looking for the other 20 per cent. Finally, specially trained Alsatian dogs move in to sniff out any mines that have been missed. This is slow and dangerous work.

The Ottawa treaty also obliges signatories to care for landmine victims and ensure their social and economic reintegration. This too is far from cheap. Mr. Jerry White of the Landmine Survivors Network, an NGO, told the conference that the average cost of treating a landmine victim is $9,800 (including the cost of rehabilitating health services in mine-affected countries, without which such treatment would be impossible). The total number of landmine victims across the globe is unknown, but Mr. White thought a reasonable estimate for treating all of them would be $3 bn.

At the conference's conclusion, the participants agreed that they would meet again in Geneva in September 2000. In the meantime, standing committees of experts will hold meetings dealing with mine clearance, victim assistance and mine awareness, stockpile destruction, and demining technologies. ■

Making development gender sensitive

NGO empowers African women and gives policymakers a balanced gender perspective

By **Jacqueline Irving**

While many non-governmental organizations (NGOs) promoting gender equality have a crucial role to play in the development process, they often have little or no ability to directly influence policymaking. Seeking to address this problem, ABANTU for Development, an NGO with offices in Kaduna (Nigeria), Accra (Ghana), Nairobi (Kenya) and London (United Kingdom), uses a twin-track approach to provide training, information and advice on mobilizing resources towards sustainable development in Africa. Through its unique training programmes and activities, ABANTU is devoted, on the one hand, to heightening policymakers' awareness of gender issues and, on the other, to empowering African women to influence policymakers.

"Now I know I can be effective and influence policies," commented a participant.

ABANTU's Training for Policymakers programmes aim to make policymakers more aware of how their policies will affect women. Ms. Wanjiru Kihoro, ABANTU's director, told *Africa Recovery* how a recent training programme in gender-sensitive budget preparation evolved from a working group session on making budgets gender sensitive, led by ABANTU at the Economic Commission for Africa's 40th anniversary conference, African Women and Economic Development: Investing in our Future, held in Addis Ababa, Ethiopia last year. The government ministers, civil servants and others participating in the working group thought so highly of the experience that they suggested ABANTU provide training in gender-sensitive budget preparation to policymakers on a regular basis.

As for the second half of its twin-track approach, ABANTU trains African women and their NGOs in policy analysis, economics, healthcare and other areas of expertise to equip these women with the knowledge and skills to help shape development policy. ABANTU also helps African women acquire advocacy and negotiation skills to make their voices heard by international agencies and organizations as well as at the national level.

ABANTU takes great pride in its people-centred philosophy ("Abantu" means people in some African languages). With an emphasis on "working with and for women but not to the detriment or exclusion of men," ABANTU's programmes and activities harness resources for the "benefit of the whole community."

In the 1997-98 fiscal year, 386 women and men representing 250 organizations participated in ABANTU's training workshops on various topics including strategic planning, policy analysis and policymaking, lobbying and advocacy, management and fundraising, and conflict management within organizations. Workshop participants came from 17 African countries.

Benefits derived from ABANTU's training programmes often extend beyond the scope of the initial participants. For example, a training session for the Uganda Gender Resource Centre spawned additional training sessions for 80 people in the rural districts of Western Uganda. After forming a rural network, the trainers in Western Uganda went on to work with decentralized government structures to pass on the benefits of the ABANTU-originated training to community-based organizations.

An ABANTU seminar, in Nairobi, Kenya. The response to ABANTU's training programmes has been overwhelmingly positive.

Strong North-South links

Working with NGOs based throughout sub-Saharan Africa and with African and refugee community organizations in the United Kingdom, ABANTU has access to an extensive network of trainers from a variety of backgrounds in the public, private and voluntary sectors.

Describing itself as "a Southern NGO with a Northern presence, combining North/South experience," ABANTU considers strong North-South links among its main assets. ABANTU encourages a two-way flow of knowledge and experience between its own organization and organizations in Europe and North America, and it plans programmes to explore new networks and ideas for cooperation with European NGOs.

Among the aims of ABANTU's 1998-2001 Strategic Plan are improving African women's access to, and use of, information and telecommunications technology and fostering the development of gender-sensitive communications policies. "I'm very excited about our work in this area. We recently provided training to twenty participants from different African countries (mostly communications officers) where we introduced the Internet, providing training in technical skills such as Web page design," Ms. Kihoro told *Africa Recovery*. ABANTU also has launched a "Strengthening Electronic Communication Capacities of Women's Organizations in Africa" initiative, which helps African women acquire the skills to use and develop information technology systems both within and between their organizations.

But ABANTU places high priority on "moving beyond just providing training in technical skills and looking at how we can influence ICT policies — specifically the gender implications of these policies," Ms. Kihoro added. Noting that few African countries have formulated concrete policies on ICT, Ms. Kihoro pointed out the importance of trying to shape ICT policies at the earliest stages. ■

Donors shift more aid to NGOs

But cooperation between governments and NGOs is critical for greater effectiveness

By Sam Chege

A major shift in funding development in Africa, already under way for several years, is accelerating. In February US Ambassador to Kenya Prudence Bushnell announced her government would now channel most of its development aid in Africa — estimated at $711.3 mn this year — through non-governmental organizations (NGOs), rather than governments. A public affairs officer in the Africa Bureau at the State Department, Mr. Louis Segsvary, later explained that Ambassador Bushnell's views reflected a US policy, adopted in 1992, of working more closely with NGOs in situations where governments are widely seen as corrupt. By 1996, the US was already channeling more than 30 per cent of its aid through NGOs.

NGOs are likely to better understand people's needs. But despite what some donors seem to think, governments cannot be pushed to the periphery.

The US stance is being followed, to varying degrees, by other major donors. Britain and Germany, whose combined aid to sub-Saharan Africa totaled $2.5 bn in 1996-97, have also been urging African governments to eradicate corruption or face cuts in aid. France, which in 1996-97 gave more than $2.6 bn (making it the biggest single donor to sub-Saharan Africa), recently said it was overhauling its bilateral aid to make it more efficient and transparent. Less than two months after the announcement by Ambassador Bushnell, Mr. Jelte van Wiueren, the cultural attache in the Dutch embassy in Nairobi, Kenya, told journalists that his government, which spent $835 mn in development assistance to sub-Saharan Africa in 1996-97, will also decrease direct aid to governments and give more to NGOs.

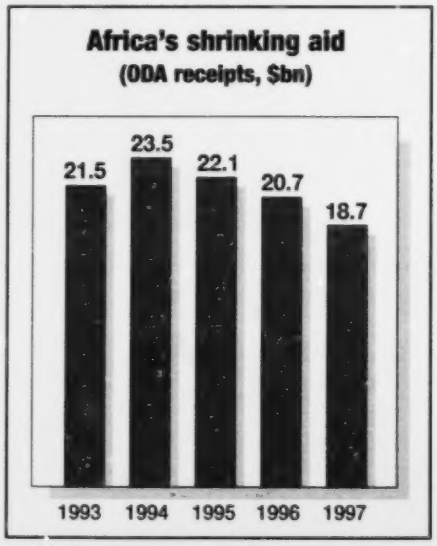
According to the World Bank, 12 per cent of foreign aid to developing countries already was being channeled through NGOs in 1994, and as of 1996, the total amount was $7 bn worldwide. Today, NGOs in Africa manage nearly $3.5 bn in external aid, compared to under $1 bn in 1990.

Overall aid pie shrinks

This increasing shift of aid to NGOs comes at a time when total official development assistance (ODA) to the continent has been declining. Between 1993 and 1997, total aid receipts in Africa fell by nearly 13 per cent, from $21.5 bn to $18.7 bn (see graph), and to sub-Saharan Africa by a similar proportion, from $17.3 bn to $15.1 bn.

Some critics therefore see the more vocal donor complaints about government corruption in Africa as at least a partial justification for simply cutting back on aid flows overall. They argue also that unbiased, hard facts on actual levels of corruption in African governments — the stated justification for dealing more with NGOs than governments — are simply not available. Moreover, they say, the donor focus on government corruption does not seem to take into account private sector fraud or the role of foreign companies in offering bribes, nor does it acknowledge the growing efforts by African governments to curb corruption.

Besides, the critics further argue that NGOs themselves are not above corruption. What would be more justified, they say, is greater cooperation between NGOs and governments in development efforts, rather than phasing out aid to governments. NGOs by themselves, they maintain, cannot effectively or efficiently develop countries.



Source: Africa Recovery from OECD data

NGOs' comparative advantage

Despite some shortcomings, NGOs nevertheless have a comparative advantage over governments in a number of areas of activity. Some of their greatest strengths lies in advocacy and participatory models of development that focus on human development. They are very effective in demonstrating that poverty, no matter how endemic, can be tackled by involving project beneficiaries in planning, implementation and sustainability of projects. In a 1997 working paper, the UN Industrial Development Organization (UNIDO) summarized NGOs' comparative advantage as follows:

- Local accountability
- Independent assessment of issues and problems
- Expertise and advice
- Reaching important constituencies
- Provision and dissemination of information
- Awareness-raising

According to the UNIDO paper, the strength of NGOs lies in their "proximity to their members or clients, their flexibility and the high degree of people's involvement and participation in their activities, which leads to strong commitments, appropriateness of solutions and high acceptance of decisions implemented." In effect, many donors view NGOs as an important part of Africa's democratization process, acting as watchdogs and advocates for human rights and good governance.

NGOs often tackle issues that governments are unable or unwilling to take up. They provide efficient, innovative and cost-effective approaches to difficult social and economic problems. In some cases, they provide leadership in producing and advocating public policy, and operate in spheres where government officials are constrained by bureaucratic or political considerations.

The growing importance of NGOs is reflected in their relationship with the United Nations and its agencies. The number of NGOs granted consultative status by the Economic and Social Council — the central UN forum for discussing and formulating policy recommendations on social and economic issues — has grown from 41 in 1948 to over 1,350 today. Virtually every UN agency works with NGOs. The UN High Commissioner for Refugees, for example, has some 400-500 NGO partners and in 1997 pro-

vided $272 mn in funding through 443 NGOs in 131 countries. The World Bank also has a portfolio of projects approved each fiscal year in which NGOs are involved.

Indiscipline, fragility and dependence

But some African governments remain critical of certain NGOs. The Tanzanian government condemns what it terms "briefcase NGOs," saying it will not tolerate those set up to funnel public funds to private ends. President Daniel arap Moi recently warned that any NGO in Kenya found dabbling in politics would be de-registered, and accused some NGOs in the country of corruption and financial indiscipline. President Nelson Mandela of South Africa (where there are some 50,000 NGOs) last December criticized what he called "illegitimate NGOs" trying to subvert the government.

NGOs do in fact have their own weaknesses. Many are fragile and tend to depend excessively on external financing, making them at times unsustainable or liable to manipulation. In a recent investigative study, Kenya's *Sunday Nation* newspaper found that in Kenya alone, an average of 240 new NGOs are being formed each year, competing for $1.2 bn in annual donor funding. A number operate as "pocket NGOs" with no known offices. Others function as family business concerns, largely employing members of the same family.

Sometimes NGOs are set up to meet donor needs and programmes. For instance, due to the recent donor emphasis on good governance and democratization, several NGOs have been registered around Africa to deal with civic education issues. This has led to accusations that some NGOs are primarily concerned with making money and not eradicating poverty, and will appear and disappear depending on where the money is. Earlier, a similar trend occurred with the mushrooming of NGOs dealing with environmental and women's empowerment issues, since these were the hot topics among donors at the time.

Some critics also have argued that if NGOs control too much donor money, they may "crowd out" governments by drawing away personnel through better salaries and benefits. The average salary of a middle-level NGO worker in Africa is usually in the range of $1,500 to $2,000 a month, while a civil servant will be lucky to draw a fifth of that. Draining human resources away from governments will only result in further worsening their effectiveness and leaving them staffed with poorly trained and motivated personnel — the very thing that donors are trying to avoid.

South African Minister for Public Works Jeff Radebe recently warned that having NGOs shoulder most national development programmes may interfere with national planning. He said NGOs tend to pursue their own agenda or that of donors, which may result in possible overlapping and duplication of NGO activities.

In a recent article, Mr. Fareed Zakaria, the managing editor of the New York-based *Foreign Affairs* magazine, expressed concern that NGOs often lack accountability. But Ms. Barbara Ainsworth, president of Global Homes, a US-based NGO that specializes in helping the homeless, says that while there may be a few rotten eggs among them, NGOs have done a better job overall than governments in providing services. "There is just no comparison between us [NGOs] and most governments. We are changing lives out there," she says.

USAID / Juliet Born

Villagers in Mozambique being trained in water pump maintenance by Action internationale contre la faim, an NGO.

Valuable partners

On the whole, however, NGOs are considered valuable development partners. The Organization of African Unity has recognized the role they play in Africa's development and is looking for ways to support them.

However, channeling most donor funds through NGOs at the expense of African governments creates problems. "There are certain things that NGOs cannot do," says Mr. Philip Nyang'iro, a political science lecturer at the University of Nairobi. "There was a case where an NGO was given funds to train farmers to become better coffee producers. A lot of funds were allocated to the project and as a result, the yields were very promising. But the farmers had no way of taking their coffee to the factory because there were no roads. NGOs do not build roads. It is the work of the government. You cannot ignore the government."

Mr. Paul Streetan, a scholar specializing in NGOs, also stresses that it is not possible to ignore governments, since most government policies have an impact on the work of NGOs. An NGO project, for instance, will easily flounder due to an overvalued exchange rate or a bias in policies that favour urban over rural areas. There is thus a strong case, he says, for NGOs and governments to work together.

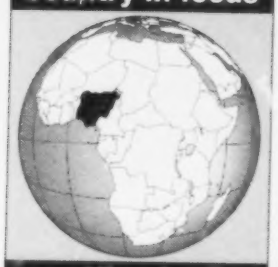
One such partnership success story is the population programme in Kenya managed by the National Council for Population and Development (NCPD), a government department. NCPD coordinates government and NGO-run family planning projects with the NGOs providing information, education and contraceptives — things that the NGOs are better able to do because of their rural base, experience and institutional capacity. In Uganda, AIDS organizations also have successfully worked with the Ministry of Health to fight the AIDS scourge and have succeeded in cutting down the rate of HIV infection significantly.

Owing to their grassroots approach, NGOs are likely to better understand people's expectations and needs. At the same time, despite what some donor officials seem to think, governments, with their extensive resources and national scope, cannot be pushed to the periphery. ■

Nigeria's economy at the crossroads

New government faces a legacy of mismanagement and decay

Country in focus



Nigeria

Nigeria's newly elected government presides over an economy with vast oil wealth and plentiful labour and skills. But it also inherits a stricken giant. For Africa's second largest economy to realize its full potential, its new leaders need to tackle a host of difficult and complex challenges: encouraging broader-based wealth creation, improving basic infrastructure and services, combating corruption, and avoiding crippling sectarian political disputes. Besides more efficient domestic resource mobilization, they also must secure greater external financing and debt relief and attract more foreign investment to sectors other than oil.

By ***Tunde Obadina***

After a decade and a half of military rule, Nigerians are embarking on their third effort since independence in 1960 to achieve the twin goals of sustainable democracy and economic prosperity, both of which have proved elusive for Africa's most populous nation. But the new civilian government of President Olusegun Obasanjo, inaugurated on 29 May 1999, faces a tough job in turning around an ailing economy crippled by decades of mismanagement, corruption and political instability. Nigeria's economy, moreover, is burdened by the biggest external debt in Africa, while its heavy dependence on oil revenue left it vulnerable to the plummeting prices of the past two years.

Ranked for a time as a middle-income country, Nigeria rejoined the category of low-income countries from the mid-1980s. According to the World Bank, its per capita gross national product (GNP) was $260 in 1997, compared with an average of $500 for sub-Saharan Africa as a whole and $350 for low-income countries. Nigeria's per capita income in 1997 was below the 1960 level in real terms. In recent years economic growth has barely kept pace with population growth, estimated at 2.8 per cent per annum. Despite the country's immense human and natural resources, little social progress has been made. Two-thirds of a population of more than 100 million live below the poverty line, and one-third survive on less than a dollar a day. Over 40 per cent of the adult population is illiterate. Life expectancy is 53 years, a decade below the average for developing nations, and less than half the population has access to safe water and adequate sanitation.

Many ordinary Nigerians blame the military for this state of affairs. "Military rule over the past 15 years has left the nation in ruins," Mr. Gbenga Adefaye, editor of the independent Lagos-based *Vanguard* newspaper, told *Africa Recovery*: "The soldiers cannibalized the economy and they ruined us politically and psychologically. We are hoping to sort out our lives after they leave."

Nigeria at a glance

Population, 1997	118 million
Population growth rate, 1990-97	2.9%
GNP per capita, 1997	$260
Naira exchange rate, March 1999	N90 = $1
GDP, 1997	$36.5 bn
of which: agriculture	45%
industry	24%
services	32%
Oil share of export earnings, 1997	97.6%
Total foreign debt, 1997	$28.5 bn
Debt service/export ratio, 1997	7.8%
Labour force, annual growth, 1990-97	2.8%
Life expectancy at birth, 1996	53 years
Infant mortality, 1997 (per 1,000 live births)	112
Access to safe water, 1995	39%
Literacy, 1995 (age 15+)	57%

Sources: World Bank, UNICEF, Economist Intelligence Unit

Oil price shock

Circumstances have been worsened by the collapse of world oil prices, knocking the bottom out of government revenue and leaving the economy in its worst crisis since independence. In January, the military administration projected that there would be an overall budget deficit of N34 bn ($395 mn) by the end of 1999, but the deficit had already reached N38 bn ($442 mn) during the first quarter of the year. During the first quarter, external reserves had fallen from $7.1 bn to $4.2 bn, equivalent to about four months of imports; by the time of President Obasanjo's inauguration on 29 May, reserves had fallen further, to $3.3 bn. Although the world price for Nigerian crude oil climbed up to $15 per barrel in May, higher than the $9 per barrel on which Nigeria's budget was based, the increase in export earnings is unlikely to be sufficient to prevent a current account deficit at the end of 1999.

In these conditions, it will be difficult for the country's gross domestic product (GDP) to grow in 1999 by 3 per cent, the official target. Assuming an average $11 per barrel oil price in 1999, the International Monetary Fund (IMF) in January projected that Nigeria's GDP would fall by 1.6 per cent, after modest growth of 2.4 per cent in 1998. However, with the oil sector accounting for about 40 per cent of Nigeria's GDP, sustained improvement in world oil prices could bring positive growth in 1999, although probably not in per capita terms.

Some analysts fear that the difficult conditions bequeathed by the military could undermine the new democracy led by President Obasanjo, himself a former military ruler. Certainly, there is likely to be little money in the state coffers to give the new government much room for manoeuvre.

"It is an inheritance which is scary, in terms of magnitude and complexity," Professor Adebayo Adedeji, former Executive Secretary of the UN Economic Commission for Africa, told a press conference in February 1999. "Indeed, without doubt, Nigeria's

Voters in the February presidential poll brought in Nigeria's first elected government in 15 years.

political well-being will for some years be haunted by the state of its economy, unless immediate corrective measures are taken to arrest and reverse the steep downward slope," he said.

Given the sheer size of Nigeria's economy, how it fares in this effort will have repercussions far beyond the country's own borders. The conclusion of a 1996 World Bank report on poverty in Nigeria still rings true: "How Nigeria now addresses its economic and social problems will not only determine its own fate but will also have a major impact on the success or failure of the region."

Mixed record of reform

Since embarking on an IMF-style structural adjustment programme (SAP) in 1986, after decades of economic regulation, Nigeria has had a mixed experience with market reforms. Lack of national consensus on the need for extensive liberalization made governments often circumspect and hesitant in carrying out tough reform policies. Poor implementation or the failure to observe conditionalities in the adjustment programmes led to a deterioration in relations with multilateral financial institutions, particularly the IMF and World Bank, from the early 1990s.

Opinion in Nigeria is divided on whether the failure of the reform process to turn the economy around was due to weak implementation or the inappropriateness of the policies, which included currency devaluation, the abolition of import licensing, dismantling of commodity boards and deregulation of banking.

"SAP was designed to free us from the tyranny of bureaucracy," said Mr. Olu Falae, who, as Secretary to the Federal Government in 1986, was closely associated with the introduction of the programme and who was Mr. Obasanjo's main rival in the 1999 presidential election. Mr. Falae blamed the failure of the adjustment programme on mismanagement, stemming from incompetence and corruption.

By contrast, others blame the IMF and World Bank prescriptions for Nigeria's current ailments. "They [the international financial institutions] said we should open up our markets and that investments would come in immediately. We opened up our markets, investments stopped coming in," former justice minister Chief Richard Akinjide said at a public lecture in Lagos in late January.

"We foolishly listened to them when they asked us to devalue the naira. Now, we don't have a middle class. What we have are the very rich and the very, very poor. No nation can develop without a middle class," said Mr. Akinjide. It is a common belief among ordinary Nigerians that structural adjustment has worsened poverty. However, the 1996 World Bank poverty study said that the percentage of the population in poverty in fact declined between 1985 and 1992, from 43 per cent to 34 per cent. But the report also noted that poverty worsened for people with the lowest 20 per cent of incomes.

Nigeria's economic indicators

	1991	1992	1993	1994	1995	1996	1997	1998*
GDP at current market prices (naira bn)	324.0	549.8	697.1	911.4	1,977.4	2,833.2	3,129.2	3,720.0
Real GDP growth (%)	4.8	2.9	2.2	-0.6	2.6	6.4	3.9	1.6
Merchandise exports ($ bn)	12.1	11.9	9.9	9.4	11.7	16.1	15.2	9.7
Merchandise imports ($ bn)	7.9	8.9	8.3	6.5	8.2	6.2	9.3	9.8
Current account balance ($ bn)	1.2	2.3	-0.8	-2.1	-2.6	3.5	0.6	-3.1
Government deficit/GDP (%)	-7.1	3.3	-2.7	-4.9	4.3	5.1	1.4	n.a.
Total external debt ($ bn)	33.5	29.0	30.7	33.1	34.1	31.4	28.5	n.a.
Debt service/export ratio (%)	21.9	28.7	12.5	17.9	13.8	14.0	7.8	n.a.
Total external debt/GNP (%)	134.9	97.5	161.5	155.3	131.7	95.0	75.6	n.a.
Net FDI ($ mn)	588	714	581	588	677	760	1,145	n.a.
Oil exports ($ bn)	11.8	11.6	9.7	9.1	11.5	15.8	14.9	9.8
Food production per capita (1989-91 = 100)	100	103	100	86	97	98	n.a.	n.a.
Foreign reserves (months import coverage)	4	1	2	2	2	9	2	n.a.
Inflation rate (%)	13.0	44.6	57.2	57.0	72.8	29.3	10.2	15.0
Official exchange rate (naira per dollar)	9.9	17.3	22.1	22.0	79.2**	82.4**	83.5**	85.0**

* estimate

** autonomous exchange rate; the official rate, which remained fixed at N21.9=$1 between January 1995 and January 1999, applied to selected government transactions.

Sources: World Bank, International Monetary Fund, Economist Intelligence Unit. n.a. = not available

Macroeconomic achievements

Despite the difficulties and hesitancy in implementation, there has been movement on the policy front. Trade liberalization undertaken from the mid-1980s, particularly since 1995, has significantly reduced tariff rates and reliance on import quotas. The economy has been opened up to foreign investors. Laws that conferred monopolies on public enterprises in important sectors, such as petroleum, power and telecommunications, have also been scrapped.

World Bank officials distinguish between the early years of adjustment, when the government made an effort to implement the programme with some positive results, and the period after 1990, when it began raising public spending to unsustainable levels following a mini-oil boom brought on by the Persian Gulf crisis. During 1987-92, Nigeria's annual GDP growth averaged about 5 per cent, well above an average decline of 2 per cent during 1980-86 and also double the average 2.5 per cent growth rate during 1993-97.

Although the growth rate has been mediocre in recent years, other macroeconomic indicators have demonstrated a degree of stability since 1995. Inflation fell to 10-15 per cent in 1998 (according to varying estimates) from 72.8 per cent in 1995. The naira, Nigeria's currency, has been relatively stable since 1995, trading between N80-86 to the US dollar at the "autonomous" (market-influenced) rate for most of the time, in contrast to previous turbulent years. However, pressure on the naira increased in early 1999, in tandem with increased demand for foreign exchange, resulting in the currency's devaluation in March from N86 to N90 to the dollar. Until last year, when the unexpected slump in oil prices slashed government income, Nigeria ran budget surpluses, ending an era of deficits before 1995.

However, some analysts have argued that this macroeconomic stability came with a price: low growth in the non-oil economy, from which demand and liquidity had been squeezed by fiscal contraction imposed by the federal government.

Others believe that economic policy changes in Nigeria have not translated into much higher economic growth because the country has not really shifted to a market-based economy. "Nigeria is currently at a crossroads in its economic and trade policies," concluded the World Trade Organization's 1998 trade policy review of Nigeria. "While steps have been taken towards trade and investment liberalization and macroeconomic stabilization, policy priorities remain divided between dependence on the public sector and import substitution strategies on the one hand, and greater reliance on the private sector and market-based reforms on the other," said the report.

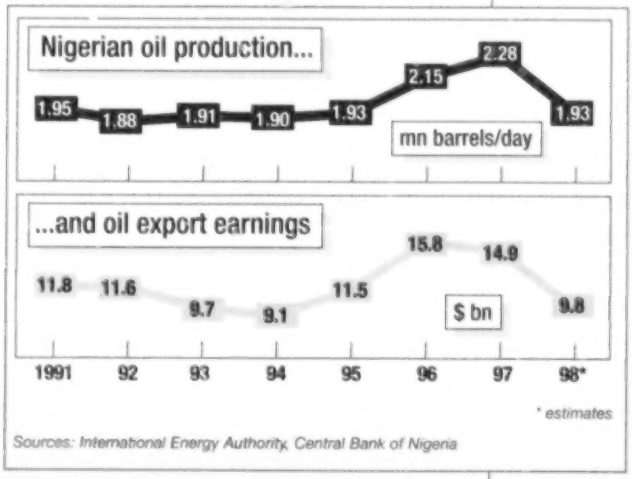
Relations between Nigeria and the international financial institutions have slowly improved since 1995, when the government announced its strategy of "guided deregulation," which included the introduction of a more market-based system for foreign exchange allocation for all transactions except those of the government. Since then the authorities tightened fiscal and monetary policy and declared support for private sector-led growth. In January 1999, the IMF agreed to a "staff monitored programme" for Nigeria. This came after the government of General Abdulsalami

Oil a mixed blessing for Nigerian economy

Nigeria is a major world supplier of crude oil, producing about 2 mn barrels per day, and is an influential member of the Organization of Petroleum Exporting Countries (OPEC). Sales of oil account for more than 90 per cent of the nation's total foreign-exchange earnings, and therefore, the lion's share of the funds Nigeria puts into its multi-faceted development programmes. Because of this substantial contribution, Nigeria could well be described as an oil-based mono-cultural economy, and the country's fortunes often rise and fall with the price of oil.

Based on an exchange rate of 86 naira to the dollar, Nigeria expects to earn N454 bn from oil resources in 1999, more than double the N216 bn it earned in 1998, although the latter was at a much higher official exchange rate, N22 to the dollar. Non-oil revenues (customs duties, company tax, value-added tax, independent revenue) accounted for N167 bn in 1998, while N214 bn is projected to be earned from outside the oil sector in 1999.

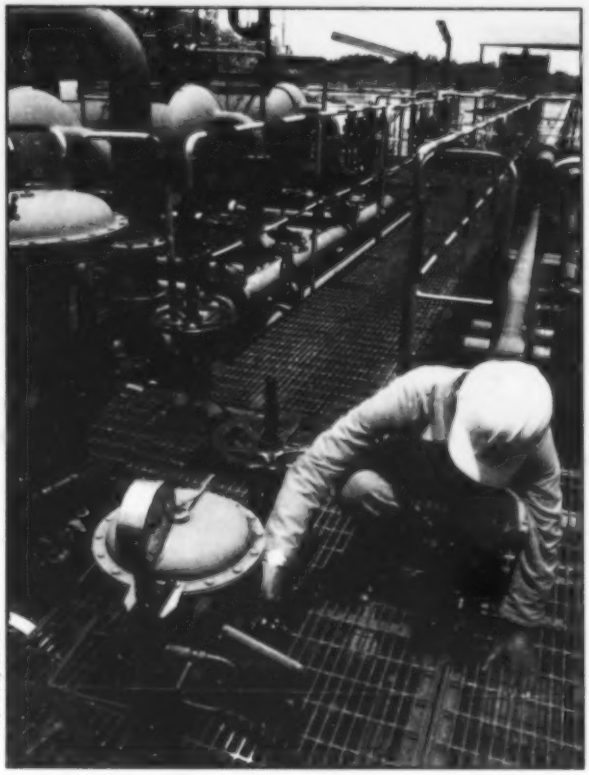
Nigeria's vulnerability to oil market shifts is well illustrated by the outcome of the 1998 federal budget, which recorded a whopping deficit of N59.8 bn, due largely to the decline in international crude oil prices, the cut in Nigeria's OPEC quota, as well as the closure of many oil wells in the troubled but oil-rich Niger Delta (see page 15). Oil-related revenue had been projected to reach $9.8 bn, but fell short by 28 per cent, reaching only $6.3 bn. The government's budget assumptions had proved way off the mark. They were based on a $17 per barrel selling price, while oil prices for the year actually averaged only around $12.5 per barrel. The 1999 budget, based on a forecast of $9 per barrel as the average price for the year, is considered somewhat more realistic.



Sources: International Energy Authority, Central Bank of Nigeria

The impact of the slide in oil prices also was felt in the nation's public service, with potentially serious consequences for the country's political stability. In September 1998, the government raised the salary of public employees by about 300 per cent, to N5,200 per month. But three months later, it had to go back on its promise and slashed the amount by almost half because of declining oil earnings. Then in March it reached agreement with the unions on a new monthly minimum wage, N3,500 for federal workers and N3,000 for those employed by the 36 states. But in April workers in three-quarters of the states went on strike when most state governments failed to implement the new wage for lack of funds.

— Kingsley Kubeyinje and Tony Nezianya



Joe Ajenyi-Jones

An oil flow station in Nigeria's politically troubled Niger Delta.

Abubakar, which came to power in June 1998, had abolished the dual exchange rate, deregulated the domestic fuel market and promised speedy privatization.

Ambitious privatization programme

In October 1998, Gen. Abubakar's government launched a wide-ranging privatization programme (see *Africa Recovery*, December 1998). If fully implemented by the new civilian government, it will be one of the biggest sell-offs of state assets in Africa. Over three dozen enterprises, including some of Nigeria's largest public corporations, such as the telecommunications company, electric power utility, a fertilizer company, an aluminium smelter and four oil refineries are up for sale in the multi-billion dollar plan.

Under the programme, 40 per cent of government equity will be sold to "strategic investors" (foreign companies) which will then manage the privatized enterprises. A further 20 per cent will later be sold to the Nigerian public, leaving the state with a 40 per cent stake. In early 1999, the government appointed foreign and local technical and financial advisers to help it prepare 37 public enterprises for privatization.

Poor performance by the public sector was the major reason given for the privatization drive. According to the government, inefficient state enterprises cost the country about N200 bn ($2.3 bn) annually in subventions, transfer waivers, tax exemptions and other subsidies.

As with the broader structural adjustment reforms, however, opinion is sharply divided in Nigeria over the presumed virtues and shortcomings of privatization, and it is unclear whether the new administration will be keen to implement a sweeping divestment programme. "I believe in privatization," Mr. Obasanjo told trade unions some days before the 27 February presidential elections, "but I don't believe in privatization as the solution to all our problems."

Pervasive corruption

Whatever direction the new government takes, the greatest threat to the success of public policy is likely to be corruption. Nigeria has been dogged by corruption since before independence, but the abuse of power and lack of transparency reached mind-boggling proportions in the 1990s. An official probe ordered by Gen. Sani Abacha soon after coming to power in 1993 reported that $12.2 bn of oil revenue placed in special accounts between 1988 and 1994 was spent on non-priority items and without proper accounting, in what the report described as "a gross abuse of public trust."

Similarly, soon after assuming power following President Abacha's death in June 1998, Gen. Abubakar ordered an investigation of the alleged theft under his predecessor's administration of some $2.3 bn from the central bank. In November 1998, the government announced it had recovered more than $750 mn from the family and close aides of Gen. Abacha, shortly after former finance minister Anthony Ani publicly charged that $1.3 bn had been irregularly withdrawn from state coffers between January 1997 and May 1998. In another stunning disclosure, a government spokesman said in December that the administration was investigating an alleged $2 bn fraud by some members of the previous regime. This involved the withdrawal in 1996 of $2.5 bn of public funds to settle debts owed to Russia for the construction of the Ajaokuta steel plant, but which in reality had been discounted to only $500 mn in a secretly negotiated debt buy-back deal. Local and foreign media reports have speculated that Gen. Abacha may have had more than $3 bn stashed away in overseas banks.

Corruption, however, is not found only at the apex of govern-

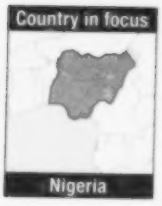
Africa's biggest debtor nation

Nearly 70 per cent of Nigeria's roughly $29 bn external debt is owed to the Paris Club of government creditors. With its annual debt service obligation at over $4 bn, more than a third of its export income, Nigeria has in recent years pegged its annual budget allocation for actual debt servicing at $2 bn. Lower export earnings forced it to cut this to $1.5 bn in the 1999 budget. Nigeria has met its debt service obligations to its multilateral and commercial creditors but has fallen well behind on Paris Club debts since its last rescheduling deal with the Club expired in 1992. About 60 per cent of the total debt is in arrears, nearly all owed to Paris Club creditors.

In January 1999, the government lifted a 1994 embargo on external borrowing, in the hope of gaining access to highly concessional loans and credits from both multilateral and bilateral sources to help close the financial gap in the budget.

Despite its low per capita income, Nigeria is now not included in the list of 41 countries potentially eligible for the Heavily Indebted Poor Countries (HIPC) initiative developed jointly by the IMF and World Bank. Nigeria was on the original list, but was dropped because it is not an "IDA-only" country, eligible for concessional assistance only through the World Bank's International Development Association, one of the prerequisites for HIPC consideration.

ment, but permeates every level of the state. The culture of kickbacks, bribery and embezzlement has encouraged mismanagement and wasted huge amounts of limited national resources. It also has fuelled political instability by placing a high premium on the control of state office. President Obasanjo, one of the few Nigerian leaders to leave office with a reputation untainted by corruption scandals, has vowed to set up an agency to combat corruption and recover stolen public funds. "You cannot have the type of investment [needed] to lift ourselves up economically in an atmosphere of corruption," Mr. Obasanjo declared a few days before his election.



Cassava farming in Lagos State: agriculture employs 60 per cent of Nigeria's workforce.

Just two days after his inauguration, President Obasanjo froze all government contracts — worth hundreds of millions of dollars — signed since the beginning of the year. He said a panel would be set up to review their "propriety and relevance."

Controlling ethnic tensions

Nigeria, like most countries in Africa, is an amalgamation of some 250 different ethnic groups with varying cultures. Competition for power and resources between the three main ethnic groupings — the Hausa-Fulani in the north, the Yoruba in the southwest and the Igbo in the southeast — has contributed to a turbulent political history that has helped to stall national economic development.

In recent years, a fourth dimension has been added to Nigeria's tripartite competition. Smaller ethnic groups in the Niger Delta, where most of the country's oil reserves lie, have become increasingly restive, demanding political self-determination and a greater share of Nigeria's oil revenue. Despite the billions of petrodollars collected by governments over the past decades, little has been done to improve living conditions in the oil-producing areas, where inhabitants are among the poorest people in Nigeria. Angry at their neglect and the environmental degradation of their land, growing numbers of communities in the Niger Delta have

Deterioration in education and health services

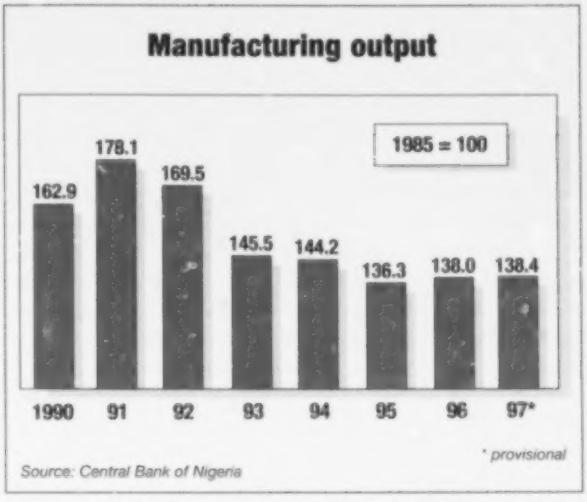
During its first decade of independence, Nigeria made considerable progress in education, but standards have since plummeted. Enrolment in primary schools grew from about 3.5 million in 1970 to 20.4 million in 1997, while attendance in tertiary institutions leapt from 15,600 to about 862,023. Though successive governments have accorded education high budgetary priority, funding increases have not kept pace with student expansion, resulting in a sharp decline in quality. Poor maintenance has worsened the problem, and many public education institutions lack basic facilities, including textbooks and libraries, and the size of classes is growing. Many schools are housed in dilapidated buildings, lacking water and electricity.

Only 57 per cent of adult Nigerians are literate, matching the rate for sub-Saharan Africa, compared with 71 per cent for all developing countries. The literacy level in Nigeria has changed little in the 1990s, though the number of women able to read and write rose from 23 per cent in 1980 to 47 per cent in 1995.

The challenge facing the authorities is not only to provide more and better educational facilities despite inadequate revenues, but also to persuade the poor to attend school in times of sluggish economic growth and high unemployment. In recent years, a growing number of children have dropped out to work to boost meagre family incomes or to survive on their own. Urban streets are full of children doing all sorts of odd jobs, from hawking food to working in sweat shops. According to UNICEF's *The State of the World's Children 1999* report, the number of boys dropping out of school in four states in eastern Nigeria rose from 51 per cent in 1994 to 58 per cent in 1996.

Healthcare also suffers from inadequate funding. Over 1994-97, government health spending averaged just 4.5 per cent of the budget. Most public health institutions lack basic facilities such as medicines and dressings. Nigeria has done well in terms of providing doctors and nurses relative to the size of the population. Its population per physician ratio of roughly 3,780 is considerably better than the average for sub-Saharan Africa. But it could be a lot better still: then health minister Ikechukwu Madubuike estimated in 1995 that no less than 21,000 Nigerian doctors were practising in the US alone, roughly the same number that were working in Nigeria. The exodus has been stimulated, in part, by the low pay and ill-equipped facilities facing many health workers.

Despite critical shortages in its hospitals, Nigeria has sustained key primary health care initiatives, including childhood immunization, oral rehydration therapy and iodization of salt. Nevertheless, Nigeria still suffers from an array of preventable or curable killer diseases, including diarrhoea, respiratory infections and malaria, worsened by the fact that less than half the population has access to safe water. More recently, the human immunodeficiency virus (HIV) has become a growing threat, with one estimate suggesting that 5 per cent of the population now carries the virus.



attacked the installations of multinational oil firms operating in their midst, causing serious and costly disruption to oil production (see page 15).

At a time when the new government needs to concentrate its attention on the economy, there is a danger that it could become bogged down in complicated and divisive debates over equitable revenue allocation among competing ethnic interests. "Every day you have the proliferation of ethnic groups demanding the devolution of power, the decentralization of the control of natural resources and an end to tokenism," notes Mr. Adefaye, the *Vanguard* editor. "The new government will have to address these issues."

It will not be easy producing a formula for sharing shrinking state income in a way that can support national economic development, address glaring regional disparities and satisfy disgruntled communities, especially in the Niger Delta.

Infrastructure in decay

Views may differ on the value of market-oriented reforms, but everyone agrees that the deterioration of services provided by badly managed and corruption-ridden public enterprises is a major obstacle to economic recovery. Vital state-run facilities, such as the electrical utility and public roads, have been decaying for years, causing billions of dollars in economic losses.

The state-run National Electric Power Authority (NEPA) now produces below half its generating capacity of nearly 6,000 megawatts. Years of neglect have pushed the power supply system to the verge of collapse, resulting in frequent and long power outages that have made NEPA the butt of jokes by its frustrated and angry customers — the authority is commonly referred to as "Never Enough Power Available" or "No Electric Power At all." But NEPA officials say the problem is not simply one of incompetence, but mainly the lack of funds, running into billions of dollars, needed to repair faulty and ageing facilities, especially the utility's four thermal power plants.

Private companies spend huge sums to install and maintain private electric generating plants, but this does not guarantee power either, since fuel supplies have been perennially short since 1994. Nigeria's four state oil refineries, with a combined capacity of 445,000 barrels per day, have in recent years produced less than half that amount due to constant breakdowns.

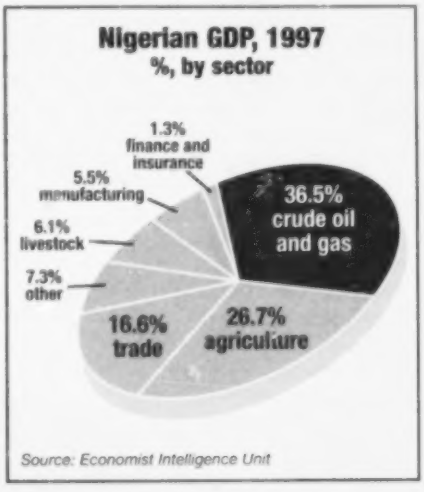
Royal Dutch/Shell is planning $8.5 bn in new investments in the energy sector both to increase production and reduce environmental degradation. The project, to be financed by Shell and its joint venture partners in Nigeria, will boost oil output by around one-third and shift activity from the Niger Delta to far less politically sensitive offshore enclave development, thus avoiding the worsening of relations with disaffected communities in the Delta. The investment will also enable Royal Dutch/Shell to end the wasteful flaring of gas by converting it to liquefied natural gas for export (see page 16).

Shrinking industrial job market

Nigeria's failure to diversify its economy stems in part from weaknesses in the nation's small and insular private sector. Few local entrepreneurs have drawn on the international market in ways producers in some other developing countries, including Kenya, have done. At less than 1 per cent, the share of manufacturing in Nigeria's exports is minuscule.

Most industries are struggling to survive, with capacity utilization in manufacturing down from 34 per cent in December 1997 to about 28 per cent in the first half of 1998. Industries using local inputs, such as breweries, cement, soap and textiles, tend to perform better than those highly dependent on imports, like radio and vehicle assembly. But the manufacturing sector as a whole has been in decline in recent years, marked by an average growth rate in 1993-97 of minus 1.2 per cent.

According to Nigeria's Federal Office of Statistics, the national unemployment rate rose from an average of 1.9 per cent in 1995 to an estimated 4.5 per cent at end-1997. However, these figures grossly understate the slack in the labour market in a country where there are few, if any, incentives for jobless people to register with the authorities. With a workforce estimated at 800,000, Nigeria's bloated public sector is in no position to accommodate more workers. On the contrary, the new administration is likely to come under pressure from the IMF to implement a retrenchment programme following the previous government's decision to raise the minimum monthly wage for federal government workers to N3,500 and for state and local council employees to N3,000 from N800.



Stimulating small-scale business

With hundreds of small companies forced to close in recent years by the deterioration in economic conditions, especially inadequate credit, rising production costs and diminishing consumer demand, the capacity of the economy to provide full-time employment has diminished. One vital challenge facing the new

government, therefore, will be to stimulate new businesses and support the development of the many small enterprises that exist in the informal sector, which accounts for most employment but lacks capital investment.

It is difficult to estimate the size of Nigeria's informal sector, since virtually all of its activities are unrecorded, but a walk through the streets of any Nigerian city reveals people busy scratching a livelihood from micro- and small-scale enterprises. The apparent resilience of this sector, which provides a wide range of services and goods for the poor and the pauperized middle classes, sharply contrasts with the fragility of the formal sector. According to the International Labour Organization, small- and medium-scale enterprises and particularly informal sector undertakings account for over 60 per cent of economic activities in Nigeria and over 35 per cent of urban employment.

In addition to technical and other forms of assistance, such businesses will need access to appropriate sources of credit. Though interest rates have stabilized in recent years, with lending rates ranging between 18 and 21 per cent in 1998, many banks are still reluctant to extend credit to small- and medium-scale producers and prefer to lend to big businesses and engage in foreign-exchange related transactions. The Central Bank of Nigeria has said that the large spread between bank deposits and average lending rates has discouraged savings and borrowing to the detriment of the economy. Moreover, few banks operate in the rural areas, with most concentrating their activities in Lagos and other urban centres. In 1997, three-quarters of the 2,472 branches of commercial and merchant banks in Nigeria were in the cities and towns.

In addition to the mainstream banks, community banks operate throughout the country. But many of these small institutions — set up under licence from the government to provide limited financial services to the rural poor — have run into trouble recently, with 353 losing their licences in 1997, bringing the total number of community banks down to 1,015.

International financing needed

With limited domestic opportunities to generate the enormous funds needed to reinvigorate the economy, President Obasanjo's administration will seek to increase the flow of foreign capital into Nigeria and reduce the country's debt service payments. Foreign direct investment in Nigeria has been running at about $1.3 bn a year, small for a country of Nigeria's size. Foreign portfolio investment is minuscule, standing at $49.7 mn in 1998, although up from $9.4 mn the year before. Nigerian leaders expect that after years of international isolation, the return to democracy will be amply rewarded by the industrial powers with increased investment.

The Lagos-based *Newswatch* magazine quoted a close ally of Mr. Obasanjo as saying that the new leader aimed to attract at least $10 bn in foreign investment to Nigeria in his first year in office. Government officials and some bankers also hope that Western governments, which account for most of Nigeria's roughly $29 bn foreign debt, will write off about half of the country's debt.

President Obasanjo's government may face

turn to page 17

Agriculture lags, despite potential

Nigeria's soils and climate allow cultivation of a wide variety of food crops, including cassava (of which Nigeria is the largest world producer), millet, sorghum and maize. Agriculture is Nigeria's biggest employer, accounting for about 60 per cent of the workforce, working mainly in small-holdings using basic tools. Together with livestock raising, it provides a third of gross domestic product.

Growth in agricultural output averaged 3.5 per cent over 1993-97, higher than the population growth rate. This compares with a period of stagnation in the first half of the 1980s when growth averaged just 0.5 per cent, due to low producer prices, marketing restrictions and a drought. Agriculture picked up after the economic reforms introduced in 1986, which included trade liberalization, dissolution of price-fixing marketing boards and improved producer prices facilitated by devaluation of the naira. Growth in the sector averaged 3.8 per cent in 1986-92, and there was a burst of activity in the cash crop sector, with many farmers returning to previously abandoned fields. But the renewed interest was not sustained, nor did it result in increased investment in cash crop production, mostly carried out by smallholders. Improved food crop production contributed to a sharp fall in food imports, from 19.3 per cent of total imports in 1983 to 7.1 per cent in 1991, although this crept back up to 13.1 per cent in 1996.

Much of the increase in agricultural output in recent years has resulted from expansion of the area under cultivation, rather from increased productivity. The sector has been hampered by lack of investment in improved farming technology. Over-farming of fragile soil has worsened the problem of soil degradation.

Improved production of cassava and other crops has brought a decline in food imports in recent years.

The share of agricultural products in total exports has plummeted from over 70 per cent in 1960 to less than 2 per cent today. The decline was largely due to the phenomenal rise of oil shipments, but also reflected the fall in the output of products like cocoa, palm oil, rubber and groundnuts, of which Nigeria was once a leading world producer. For example, production of cocoa, currently Nigeria's biggest non-oil export earner, has remained around 160,000 tonnes per year since 1995, compared with an annual average of 400,000 tonnes at its peak before the oil boom. The government has made some effort to encourage private investment in agriculture and agro-industries by providing incentives, including tax breaks, finance credit and extension services, but without much success.

Delta communities protest neglect

Press for government aid, oil company compensation

By **Kingsley Kubeyinje** and **Tony Nezianya**
Lagos

Angered by years of perceived neglect by the Nigerian government and multinational oil companies, communities in Nigeria's oil-rich Niger Delta have periodically erupted in protest in recent years. Again, beginning in October 1998, youths in the Delta began a new round of widespread protests, including occupations of oil installations and even kidnapping of oil workers, sometimes leading to violence and loss of life. Through such dramatic action, they hope to attract the government's attention and win compensation from the oil companies.

Nigeria gets about 90 per cent of its petroleum from the sprawling Delta in the south, an area inhabited by "minority" ethnic groups such as the Itsekiris, Urhobos, Ijaws, Ibibios, Ogonis, Kalabaris, Efiks, Ikwerres, Ilajes and Ibibios.

In spite of the enormous resources it generates for the national coffers, the Niger Delta is perhaps the least-developed area of the country. Less than 5 per cent of federal oil revenue is spent directly on the oil-producing areas. The Delta therefore lacks good roads, electricity, potable water and good schools. Communication facilities are few and far between. Unemployment is high because the rivers, creeks and streams which provide people with their main source of livelihood — fishing — have been extensively polluted through the activities of the more than a dozen oil companies operating in the area.

Poverty and neglect

"The producing areas are mosquito-infested swampy farmlands, where the villagers eke out a living on fishing and farming," explains Mr. U.J. Itsueli, chief executive of a Nigerian company, Dubri Oil. "Often, the rivers they fish and the land they farm are disturbed or even polluted. Yet, this is an environment that produces the nation's wealth, that has been driving the engine of this country's development."

And when inhabitants leave their impoverished villages, adds Mr. Itsueli, they see "smooth multi-laned highways, skyscrapers and mansions. They know the wealth that produced these comes from them and they are not sharing in it. They are not stakeholders."

Mr. Bloke Booboo-Thomson, a human rights lawyer in the oil city of Port Harcourt, told *Africa Recovery*: "It is unbelievable that in this area, there is no potable water, no road to many of the communities from where crude oil, the main foreign exchange earner for the country, is derived."

As a result of massive gas flaring, the Niger Delta also is afflicted by acid rain. "The effects of acid rain are very much evident on roofs, cars and metallic objects in the area," says Mr. Tombara Aye, a leader of the Ijaw community in Bayelsa State.

Troops and promises

In the face of the widespread protests in the Delta region, the previous military governments cracked down hard, imprisoning — and in the notorious case of acclaimed writer and Ogoni leader Ken Saro-Wiwa — executing leading political activists. More recently, thousands of troops have been dispatched to the Delta.

Over time, however, the Nigerian government also has come to appreciate the enormous problems facing the oil-producing communities and has made some efforts to address them. In 1989 the government created the Oil Mineral Producing Areas Development Commission (OMPADEC) as an agency responsible for development in the oil communities. OMPADEC gets 3 per cent of the federal allocation (N13.6 bn in 1998).

The government also set up the Petroleum Trust Fund (PTF) to finance infrastructural projects. The PTF gets a certain percentage of the profits from the local sale of refined petroleum products. Unlike OMPADEC, the PTF was not set up exclusively to cater for the oil communities, but undertakes projects in all parts of the country.

The oil communities themselves, however, clearly do not consider OMPADEC and PTF to be sufficient. OMPADEC in particular has been criticized for its wastefulness, massive mismanagement and corruption. In its less than 10 years of existence, OMPADEC has been re-organized three times. And the future of the PTF looks uncertain since the death last year of former President Sani Abacha, the fund's founder.

Company projects

Nigeria lacks legislation compelling oil companies to contribute to the development of their host communities. General guidelines on maintaining safe environmental practices lack teeth and are merely appeals to the major oil firms to be socially responsible. Nevertheless, the government, through appeals, has had some success in making oil companies appreciate the need to be "good corporate citizens." The protests of the communities in the Niger Delta also have had an impact.

Royal Dutch/Shell, which experienced numerous disruptions in production at its facilities in Ogoniland during the crisis there in 1993, has now come to acknowledge that the oil-bearing communities are critical to its overall operations. The company put the value of its community assistance programme at $32 mn in 1997, and argues that among other expressions of its commitment, 57 per cent of its total workforce is recruited from among the local communities and it gives preference to indigenous contractors.

The company also has set up the Shell Community Development Initiative, under which oil communities now have a say in deciding projects to be sited in their localities, according to the company. Among other oil companies, Chevron likewise has executed a number of community-based projects, such as cottage hospitals, school construction and equipment, potable water, town halls and jetties, and scholarships for children from the host communities.

In 1995, Shell and the other oil companies set up the Niger Delta Environment Survey to assess the level of environmental degradation and potential of the area. ■

Harnessing abundant gas reserves

Nigeria alone could provide the power needs of all West Africa

By **Tunde Obadina**

Every day in southern Nigeria, almost 2 mn cubic feet of natural gas is burnt during crude oil production, more than is flared anywhere else in the world. In fact, Nigeria is endowed with the tenth largest proven natural gas reserves, and according to the World Bank, gas flared in Nigeria is equivalent to total annual power generation in sub-Saharan Africa.

Gas flaring not only wastes a valuable resource, but is also a major cause of environmental pollution in the Niger River Delta, where most of Nigeria's oil output is produced. There is growing anger among local inhabitants at the damage caused to their health and ecosystem by oil production activities, especially gas flaring and crude oil spillage (see page 15).

"Currently, there are about 100 gas flaring sites," wrote Mr. G.G. Darah, a Nigerian commentator, in the Lagos-based *Guardian* newspaper in early November 1998. "Some of them have been burning ceaselessly for 40 years. Each one of these bonfires has been killing human beings and the natural environment since it was lit."

The extent of human damage attributable to gas flaring is unclear but doctors have found an unusually high incidence of asthma, bronchitis, and skin and breathing problems in communities in oil-producing areas. Moreover, flaring is a global source of greenhouse gas emissions, contributing to global warming. The World Bank estimates that gas flaring in the Niger Delta releases some 35 mn tonnes of carbon dioxide annually into the air.

Gas flaring at a Nigerian oil well: waste of a valuable resource and cause of environmental pollution.

Oil spills and local poverty

Oil companies contend that oil community activists and environmentalists grossly exaggerate the negative impact of oil production in Nigeria, and reject the charge that gas flaring is a major contributor to acid rain in the Niger Delta. They also point out that although the figure for carbon dioxide emission by Nigeria's oil industry seems high, it is minuscule on a global scale. Increased frequency of hazardous crude oil spills in the Delta in recent years, oil operators explain, is mainly caused by sabotage carried out mostly by aggrieved communities hoping to extract compensation payments. According to Shell, which accounts for about half of Nigeria's 2.2 mn barrels per day oil output, almost 80 per cent of all oil spilled from the company's facilities in 1997 was due to sabotage, adding up to more than 60,000 barrels. Other causes of oil spills include equipment failure, accidents and corrosion of ageing pipes.

Oil companies believe that the root cause of the growing unrest and discontent in the Niger Delta is the poverty of inhabitants who feel cheated out of what they consider their rightful share of the wealth extracted from their land. Beleaguered oil multinationals have in the 1990s increased their spending on community development, but argue that they cannot assume the state's role as the prime provider of social amenities.

The government and its joint-venture oil partners acknowledge the need to clean up oil-production activities, including substantially reducing the proportion of associated gas that is flared. Most of Nigeria's oil comes from reservoirs containing gas, so associated gas is produced with the oil. Though current levels of gas flaring remain unhealthily high, Nigeria has made some progress in reducing flaring since the early 1970s, when less than 2 per cent of the country's gas production was utilized.

The government now aims to eliminate unnecessary gas flaring in Nigeria by 2010. Using a carrot-and-stick strategy with the oil companies, the government's 1998 annual budget expanded fiscal incentives for investment in gas production, and at the same time raised the penalty paid by oil companies for gas flaring from N0.50 to N10 (12 cents) per 1,000 cu ft.

All the major oil companies operating in Nigeria have resolved to reduce gas flaring. Their programmes include increasing the volume of associated gas re-injected into oil reservoirs, reducing oil production from wells with high ratios of gas to oil, and fitting more efficient flare tips to flares.

Lack of facilities, markets

Nigeria faces a number of difficulties in harnessing its abundant gas reserves, which are estimated at 120 trillion cubic feet, but could total 300 trillion cubic feet. It lacks gas utilization infrastructure. When most of its oil facilities were built in the 1960s and 1970s, at a time when gas was not a popular energy source in the world, little thought was given to gas collection facilities.

Nigeria is endowed with the tenth largest proven natural gas reserves, and according to the World Bank, gas flared in Nigeria is equivalent to total annual power generation in sub-Saharan Africa.

Associated gas, which is produced at low pressure and must be compressed and treated in facilities specifically built for the purpose, is one of the most difficult and expensive gas sources to harness. In Nigeria, it requires an expensive network of compression facilities and pipelines to link scattered fields that do not produce sufficient quantities of gas to be commercially viable on their own.

Probably the biggest constraint to gas development in Nigeria is the lack of ready markets for the commodity. Domestic gas demand is a meagre 300 mn cubic feet per day, in a country where few households have modern cooking appliances and most still use traditional, cheaper forms of energy. Exports of Nigerian gas involve high transport costs because of the distance to the major international gas markets of Europe and Asia.

Liquefied gas project

Despite the difficulties, there are several projects, started in recent years, to boost the commercial use of Nigeria's natural gas. Most are being undertaken by multinational oil firms, operating as minority equity partners in joint ventures with the state-owned Nigerian National Petroleum Corporation (NNPC).

The most ambitious project is the $3.8 bn liquefied natural gas (LNG) facility under construction on Bonny Island. The 7.15 bn cubic metre per year plant is owned by Nigeria Liquefied Natural Gas Company, with the NNPC holding 49 per cent of the equity, Shell 25.6 per cent, Elf 15 per cent and Agip 10.4 per cent. Work on the plant is more than 80 per cent complete and the project is on schedule to begin producing and exporting in October 1999. Orders have already been placed by buyers in Italy, Spain, Turkey, France and Portugal, with the biggest being the Italian electric power utility ENEL, which has agreed to buy 3 5 bn cubic metres per year of LNG for just over 22 years. Work on the plant, probably the biggest single industrial project in Africa, started in 1996, after more than a decade spent raising the funding and lining up firm buyers. The consortium decided in March 1999 to invest a further $1.8 bn to expand annual production capacity from 5.9 mn tonnes to 8.7 mn tonnes by 2002.

LNG production will diversify Nigeria's exports, currently based almost totally on oil. It will also boost the utilization of a hitherto wasted resource. Though initially the LNG plant will process mostly non-associated gas, the proportion of associated gas used is expected to increase and eventually account for the entire supply, resulting in a 25 per cent reduction in gas flaring.

West African pipeline

Nigeria also is trying to develop a regional market for its gas. The government is working on a plan for the construction of about 600 kilometres of new pipeline to carry gas to Benin, Togo and Ghana by the year 2001. The governments of the four West African nations agreed in 1995 to build the pipeline, which, with existing pipeline, would stretch about 960 km.

After doubts were raised about Ghana's commitment to the project, the proposal got a boost in October 1998 when Chevron and NNPC signed an agreement with a consortium led by KMR Power to supply Nigerian gas for its power plant under development in Tema in Ghana. Chevron/NNPC agreed to provide 40 mn cubic feet of natural gas per day from its Escravos Gas Plant in western Nigeria, to be carried through the proposed West African pipeline. Shell is also involved in the pipeline project which, according to World Bank studies, could save West African countries importing the gas about $500 mn in primary energy costs over 20 years.

Nigeria is potentially capable of fuelling the power needs of the whole of West Africa. The pipeline will not only provide markets for Nigeria's natural gas, thus earning hard currency for the country's economic and social development. It will also make possible a reduction in has flaring, leading to a safer environment in Nigeria, and will contribute to the long-desired economic integration of the region. ■

Nigeria: economic crossroads

from page 14

some disappointments. The experience of other indebted poor nations shows that obtaining debt relief is a long process, taking several years. During his visit to Nigeria in March, IMF Managing Director Michel Camdessus said that if Nigeria adhered to the "staff monitored programme," the Fund would transform it into a three-year loan arrangement, which would pave the way for the Paris Club to consider debt relief for Nigeria. Nigerian officials expect to reach agreement with the IMF on a three-year economic strategy during the second half of 1999.

Nigeria's economy also could gain substantially if the government is able to persuade Nigerians with funds abroad to repatriate their capital to boost investment and demonstrate confidence in the new order. Nigerian capital flight is estimated at around $2 bn a year, especially since the eruption of the 1993 political crisis. As two senior World Bank officials, Mr. Thomas Hutcheson and Mr. Gianni Zanini, told a conference in Abuja in 1995: "Only when Nigerians themselves begin voting for Nigeria with their foreign chequebooks can new foreign investors in substantial numbers be lured to the country." ■

Ecotourism propels development

But social acceptance depends on economic opportunities for local communities

By **Frances E. Vieta**

In 1998 Africa was the fastest-growing region for international tourism, now the world's largest growth industry, with no sign of slowing down. International tourism in Africa increased by 7.5 per cent, with 24.9 million tourists visiting African countries during the year, according to figures compiled by the World Tourism Organization (WTO).

South Africa, Zambia, Zimbabwe and Madagascar helped lead the growth of tourism in Africa, particularly in ecotourism, the fastest-growing sector according to the WTO. Ecotourism — commonly used to describe any form of tourism in natural surroundings — accounts for 20 per cent of total international tourism. WTO forecasts that, worldwide, international tourists will increase from 613 million in 1997 to 1.6 billion by 2020 and earnings will jump from $443 billion in 1997 to more than $2 trillion by 2020.

Several African countries are set to cash in on this development, particularly in ecotourism. Zimbabwe, for example, which targets ecotourists who spend more and stay longer, is expected to earn more than Z$6 bn this year, making tourism the third largest foreign currency earner after agriculture and mining.

In recognition of ecotourism's growth potential, particularly for developing countries, the UN Economic and Social Council recently declared 2002 the International Year of Ecotourism. Many countries in Africa, particularly the continent's tourism leaders (Kenya, South Africa and Zimbabwe) are investing heavily in ecotourism. The University of Pretoria in South Africa has also responded by establishing the Centre for Ecotourism, which provides a wide-ranging service to the ecotourism industry in Southern Africa.

Ecotourism in Africa varies widely. Enthusiasts view gorillas in Uganda and lemurs (small nocturnal, endangered mammals) in Madagascar, go trekking in Ethiopia and birding in Botswana, look at rock paintings in South Africa, visit rainforests in Ghana, scuba dive in the Seychelles and enjoy walking and photographic safaris in East and Southern Africa.

Economic benefits, including entry fees, licences and concessions, often generate substantial funds to support conservation and management of natural environments.

Creating new jobs

Economic benefits, including entry fees, licences and concessions, often generate substantial funds to support conservation and management of natural environments. In a number of countries, tourist expenditures on lodging, transportation, food, guides, and souvenirs is an important source of income for local communities.

Employment generated by ecotourism-related jobs is sometimes one of the most significant benefits for local communities, providing supplemental income to rural farmers, women and young people. Hundreds of people, for example, live off the Bwindi Impenetrable Forest in Uganda, where foreign tourists trek to view gorillas; they work as rangers and camping staff or provide food, crafts and entertainment to the tourists. In the Buhoma valley just outside the park, many local businesses have started up, offering goods and services to visitors. The multiplier effect of tourism can be substantial. It is estimated that for every hotel room, one to two jobs are created directly or indirectly. In Zimbabwe, where ecotourism is fast earning international recognition, the tourism industry employs about 200,000 people.

Because it is unnecessary to give up historic work patterns or to make large investments, relatively little is at risk or lost if ecotourism does not generate the expected levels of benefits.

High 'leakage' of earnings

Ecotourism's direct contribution to national income is not accurately measured by gross income levels. A more precise indicator is net earnings, after deductions have been made for all necessary foreign exchange expenditures. This is because economic impact studies consistently find a high level of "leakage" of initial tourist spending, with much of it leaving the host country to pay for profits on investments by transnational hotel chains and tour operators, and for imported goods and services used in the tourism industry. The World Bank estimates this leakage to be 55 per cent for the typical developing country, but it can be substantially higher.

Many governments, however, have reduced these leakages by encouraging local participation in the tourism industry and support services. In Zambia, for example, privatization of game lodges and hunting concessions is regulated on an international competitive bid basis, but to encourage local investors and particularly indigenous entrepreneurs, certain leases and hunting concessions have been reserved for domestic bidders.

South African Tourism Board

Tourist "safari" in South Africa, which is investing heavily in the development of ecotourism.

In sub-Saharan Africa there are about 440 protected areas covering about 2,600,000 square hectares. These protected areas are vital assets for the development of ecotourism, and conservation organizations support ecotourism because of its financial or political contribution to the existence and management of protected areas.

Ghana, which is seriously developing its ecotourism potential, has had a sustained annual growth of 12 per cent in tourist revenues. These are expected to reach $1.6 bn by 2010, and tourism will likely become the number one foreign exchange earner in the foreseeable future. Already, 80-90 per cent of Ghana's original forests has been lost or seriously degraded through settlement, agriculture and timber extraction. Ghana's ecotourism programme currently focuses on the Central Region, including the Kakum National Park where forest elephants, seven species of primates, and high antelope and bird diversity provide tremendous potential for ecotourism. The first of its kind in Africa, the Kakum canopy walkway, perched 30 metres above the ground, gives a unique bird's eye view of the rainforest.

The walkway opened in 1995 not only for visitors and scientists, but also as a source of revenue for conservation activities. The number of visitors has increased from 20,000 in 1995 to 59,000 in 1998, while revenue from the walkway rose from $10,000 to $108,000. A portion of the revenue from park admission fees reverts to the Ghana Wildlife Department, the agency that manages the park. The remainder accrues to the newly created Ghana Heritage Conservation Trust, a local non-governmental organization that will use the funds to support continued operation of the walkway, conservation activities, and sustainable development projects in the communities around Kakum.

Sharing revenue with local communities

Any kind of tourism, however, is a fickle business. Ecotourists do not travel to areas at risk from war or civil strife or where there are severe health problems. The eruption of any of these factors quickly dries up the supply of would-be ecotourists.

Gorilla tracking is a good example. There are only about 630 mountain gorillas in the world and they live exclusively in the forests along the Virunga volcanoes bordering the Democratic Republic of Congo (DRC), Rwanda and Uganda. Wars that broke out in 1994 in the Great Lakes region stopped tourism in Rwanda and the DRC, and pushed up demand to view gorillas in Uganda, where some 300 live in Bwindi forest.

The potential for ecotourism based on gorilla viewing led to the establishment of Bwindi Impenetrable Forest National Park in 1991, with gorilla viewing beginning in 1993. Visitors increased from 2,250 in 1995 to 3,450 in 1998 and tour operators estimate that more than 70 per cent of Uganda's tourism revenue comes from gorilla tourism.

The case of Bwindi illustrates the difficulties of developing an efficient, equitable and sustainable mechanism for channeling funds to ensure that local communities derive maximum benefit. Early on, Uganda developed sustainable revenue sharing for local communities and a pilot programme for benefit sharing in Bwindi. According to the first plan from 1995 to 1997, 8 per cent of the $280 gorilla-tracking fee was allocated to the local community, providing considerable funds for building schools, clinics and roads. In 1998, however, the fee-sharing arrangement was changed so that only 20 per cent of the $25 park entrance fee was allocated to community development projects, drastically reducing the amount going to the communities and halting many of the previously supported community activities. Experts are urging a review of the fee-sharing arrangement to find the appropriate levels to be given to the communities, if ecotourism in Uganda is to continue to be ecologically responsible, sustainable and community appropriate.

Suspended walkway through rainforest in Ghana's Kakum National Park, which had nearly 60,000 visitors last year.

Anna Bailey

In 1997 tourism generated $276 mn for Uganda — second only to coffee's hard currency earnings. But this economic windfall could end the same way it did for Uganda's neighbours, following the March 1999 massacre of four Ugandans, including a game warden, and eight foreign tourists in Bwindi by roving Rwandan anti-government guerrillas. Transnational tour operators quickly closed down. Whether there will be future interest in gorilla viewing in Bwindi remains to be seen, although there are strong indications that the sheer attraction of the adventure will prevail. More than 100 foreign tourists visited Bwindi in the few weeks after a four-week closure following the attack.

Madagascar, which also is promoting tourism (the country's second largest foreign-exchange earner), had by 1998 established 40 new protected areas, covering roughly 2 per cent of the country's land area. But these areas are densely populated and intensively farmed because of their favourable climate. To reconcile the interests of farmers and the tourist industry, the official tourism policy is based on participatory ecotourism. Revenues from ecotourism are shared with local communities to compensate for restrictions on land use in parks and protected areas, thereby ensuring that these communities benefit from the tourism.

For example, Ranomafana National Park was established in 1986 to protect the Golden Bamboo lemurs. The number of visitors more than doubled, reaching 6,000 between 1993 and 1996. Half the revenues generated by the park are earmarked for the development of the buffer zone around the park, intensively used for agriculture, including irrigated rice, coffee, horticulture, and shifting cultivation. Local communities invest their money in intensified rice production, agroforestry, the construction of small dams, schools and health services, and the development of credit schemes. Ultimately, it is such improvements for local host communities that make ecotourism socially and economically acceptable, and not just a marketing ploy. ■

South Africa – EU

from page 1

and Portugal agreed to drop their long-standing objections to the use of the terms "sherry" and "port" by South African fortified wine producers in their domestic market for a further 12 years. The two EU states argued throughout the trade talks that the terms should be reserved exclusively for fortified wines produced in the regions of Jerez, Spain, and Oporto, Portugal.

Under the eleventh-hour compromise, this contentious issue is to be revisited at the end of the trade pact's phase-in period, when "new denominations" for those products will be jointly agreed by South Africa and the EU. Clearly displeased that the final deal basically grants the EU a right to veto the use of "port" and "sherry" on South African wine labels, the South African Port Producers' Association quickly announced its intention to challenge the decision by taking the case to the World Trade Organization.

South African Tourism Board

Vineyard workers in South Africa's Western Cape: EU compromised in dispute over labelling of South African wines.

Lingering concerns of Spain, Portugal, France, Italy and Greece that the EU's terms in the agricultural sector were too generous had also delayed conclusion of the deal. Fearing damage to their fruit, fruit processing and cut flowers sectors, in February the five EU states vetoed a draft agreement brokered by Mr. Erwin and Mr. João de Deus Pinheiro, European Commissioner for Development. But as the talks entered their final stages, all five states agreed to compromise. The final agreement grants South Africa sizeable zero-tariff quotas, which allow the country to export a predetermined volume of goods in these sectors on a duty-free basis.

Negotiations continue separately on a fisheries deal, as well as a wider agreement on trade in wines and spirits. The EU insists on maintaining trade restrictions on South African fishery products until South Africa opens its waters to EU fishing boats.

Controversial agricultural deal

South African fortified wine producers are not alone in harbouring concerns about the deal's impact on South Africa's economy. Some South African agriculturalists complain that only 61.4 per cent of the country's farm products will gain unrestricted access to EU markets, while trade barriers on another 13 per cent (including table wine) will be partially liberalized. In contrast, South Africa is obliged to scrap tariffs on 95 per cent of agricultural imports from the EU over a 10-year period.

A comprehensive study on the region-wide impact of the deal, carried out in April 1999 by the Johannesburg-based South Africa Foundation (SAF), refers to the agricultural side of the agreement as "perhaps the most controversial," while noting that South Africa nevertheless did manage to improve access for key products in the final negotiations. The study, *South Africa and the EU: the Free Trade Agreement and Related Developments*, refers to the EU's practice of generously subsidizing its agricultural exports (through the much-criticized Common Agricultural Policy) as a factor that will continue to impede the ability of South African agricultural producers to compete in international markets. Already hard hit by competition from heavily subsidized EU goods, local manufacturers of processed fruits and vegetables are expected to suffer further losses because the trade agreement obliges South Africa to cut customs duties on these products.

The SAF study describes the trade deal's initial impact on South Africa's economy as "limited" because significant sections of EU-South Africa trade are already "substantially duty-free." However, the study does conclude that over time, access to the European market will increase for South African producers, imported capital and consumer goods will be available more cheaply to producers and consumers, and the South African economy's competitiveness will generally increase.

BLNS adjustment costs

But it is the economies of South Africa's SACU neighbors — Botswana, Lesotho, Namibia and Swaziland (known as the BLNS countries) — that will feel the harshest effects of the trade deal. Having achieved the deepest form of regional integration on the African continent, SACU links the trade regimes of its five members and also interlinks the value of the currencies of SACU members, with the exception of Botswana's currency, the pula. Since trade between SACU economies is tariff free, a South African free trade agreement with the EU would therefore in effect be extended to the smaller BLNS economies.

And because the five Southern African countries share common external tariffs, the erosion of these tariffs over the next 12 years under the terms of the South Africa-EU trade pact is expected to impose considerable adjustment costs. BLNS governments rely heavily on revenue from customs duties, which provide around half of total government revenue for Lesotho and Namibia, about one-third of Swaziland's fiscal revenue and 14 per cent of Botswana's fiscal revenue, according to an April 1998 working paper issued by the European Centre for Development Policy

SADC pushing toward free-trade area

Trade ministers of 11 Southern African Development Community (SADC) member states are set to meet in Gaborone, Botswana, in early July to conclude talks on the schedule for liberalizing tariff and non-tariff barriers among their countries. "We've made substantial progress and I personally am looking forward to ratification of the free-trade protocol by October this year at the latest," Mr. Prega Ramsamy, SADC Deputy Executive Secretary, said recently. The trade protocol must be ratified by two-thirds of SADC members in order to begin phasing in the free-trade area over an eight-year period from 1 January 2000.

Significant progress already has been made since negotiations began last year. The 11 SADC members participating in the initiative have agreed not to raise tariff barriers beyond mid-1998 levels. The remaining three SADC members — Angola, the Democratic Republic of Congo and Seychelles — have not been participating in the talks, but may opt to join an agreed free-trade area at a later date. SADC members hope that a free-trade area will help the region attract more foreign capital and technology, create new jobs and boost the region's gross domestic product.

Management. With the EU as the source of 42 per cent of SACU imports in 1997, this means BLNS governments face a worrying loss in fiscal revenue. The BLNS countries could see revenue cutbacks of as much as 15 per cent (R1.9 bn to R3.5 bn per year), as tariffs on EU imports erode. Their customs revenue from non-EU imports may also fall as EU imports increase their SACU market share due to the lower tariffs, projects the SAF study.

Citing the results of studies commissioned by the BLNS states and financed by the EU, a January 1999 memorandum prepared jointly by the BLNS governments predicts that revenue losses associated with the South Africa-EU agreement will have "particularly severe" effects on the budget deficits of Lesotho and Namibia, which stand to lose some 13-21 per cent and 9-14 per cent of fiscal revenue, respectively. The revenue losses will also have "serious consequences" for Swaziland, says the memo, with only Botswana appearing to have any "real scope" for making the personal and corporate income tax increases that would be required to manage the fiscal adjustments.

Alternative revenue sources

"We certainly are looking at alternative [revenue sources] now, being aware of the fact that the revenue pool is not going to be there forever," Mr. Mpho Malie, Lesotho's Minister of Industry, Trade and Marketing, told *Africa Recovery*. He cited royalties from the country's massive Highlands Water Project and extra taxes on cigarettes and liquor as possible ways of compensating for some of the revenue shortfall. But if the reduction of fiscal revenue from the SACU external tariff barrier is "well planned and well phased, then we would be able to deal with it," Mr. Malie added.

Noting that the phased nature of the trade agreement means that it will mainly affect fiscal revenues in the second half of the next decade, Ms. Musa Fakudze, Principal Secretary to Swaziland's Minister of Finance, says that her government has already begun considering measures to address the expected fiscal impact. Proposed measures include a review of the tax system as part of a revenue diversification package and improvements to public sector management.

"It is conceivable that the tax base will be broadened by being able to import more goods from the EU at comparatively cheap prices — including production inputs that have been barred from entering our markets because of the [SACU] tariff," Mr. Hidipo Hamutenya, Namibian Minister of Trade, recently told *Africa Recovery*. Taking an overall positive view of the trade agreement's medium- and long-term effects, Mr. Hamutenya sees the liberalization of the external SACU tariff as "an opportunity for us now to be able to develop our own capacity for revenue collection."

Similarly, Mr. Prega Ramsamy, Deputy Executive Secretary of SADC, explained to *Africa Recovery* how the scrapping of tariff walls could actually have beneficial effects on fiscal revenue and the overall economy in cases where producers buy inputs more cheaply from the EU and "plow back this money that they have not paid to the government in the form of customs duties into their own productive units, or to improve their businesses." And, of course, increased corporate profits could mean increased corporate tax revenues. But Mr. Ramsamy emphasized that creating a free trade area is a "win-win situation" so long as the economies involved take an "incremental approach."

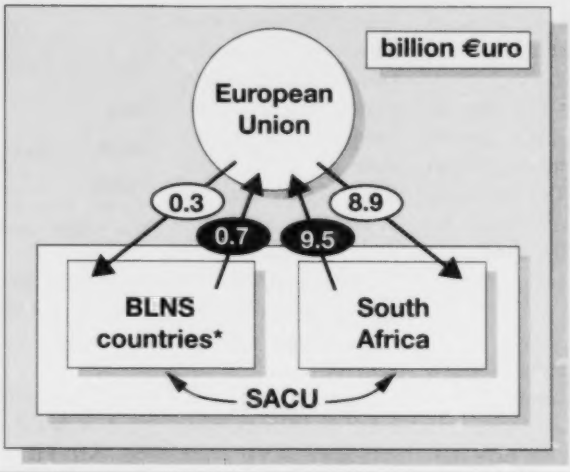
EU support package

The EU must "fully recognize the seriousness of the adjustment effort" that the anticipated revenue cutbacks will impose on the BLNS countries, "if fiscal stability is to be promoted," urges the January BLNS memorandum. For its part, the European Commission stresses that the revenue cuts will occur only gradually and it has offered to provide a "support package" to ease possible difficulties in these countries as the external tariff is gradually dismantled.

In late May, the EU gave some $1.3 mn to Swaziland to help cushion the impact of the trade deal. "The idea is to help Swaziland cope with any fall-out or effects from the South Africa-EU free trade agreement," Mr. Pierre Bide, an EU economist in Swaziland, told the UN's Integrated Regional Information Network. "We want to help build economic capacity in that country." He said that similar compensatory packages were being considered for Botswana, Lesotho and Namibia, but that a meeting scheduled for June to take up the issue had been postponed for several months.

Other factors at play — such as SACU members' negotiations on reform of their own customs union — could lead to further erosion

EU trade with SACU area



*Botswana, Lesotho, Namibia, Swaziland

Source: EU Commission, April 1999

of revenues from customs duties, Mr. Sam Geiseb, acting Chief Executive of the Namibia Chamber of Commerce and Industry, told *Africa Recovery*. At present, income from the region's customs and excise duties is pooled and then distributed to BLNS countries according to a complicated formula, with South Africa receiving remaining income after the BLNS countries are allocated their fixed share. This has been one of the thornier issues on SACU's agenda for some time: negotiations to reform the overall pact governing the regional organization have been under way since 1994. Only a few days after reaching agreement with the EU on the trade pact, South Africa and its four SACU partners met in Pretoria to discuss South African proposals for revamping the revenue-sharing mechanism.

At the same time, South Africa used the meeting to try to convince its SACU partners that its free trade agreement with the EU also would benefit their economies. This was particularly necessary as any bilateral trade deal with non-SACU countries requires the approval of the other SACU members.

Limited consultation

Because the agreement was "designed with a strong regional component," an April 1999 report on the TDCA published by the EU Commission specifically states the EU's conviction that "in the long-term the EU-South Africa free trade agreement will have net positive effects for Botswana, Lesotho, Namibia and Swaziland." According to the report, the BLNS countries were consulted regularly by both the South African government and the EU Commission to ensure that the trade agreement would "be of benefit for the Southern African region as a whole."

But Mr. Malie, Lesotho's Minister of Industry, Trade and Marketing, recently expressed concerns that BLNS trade ministers were largely "kept out of the picture" during the lengthy negotiating period. Pointing out that information on the emerging trade deal was relayed to BLNS ambassadors in Brussels rather than directly to the countries' trade ministers, Mr. Malie described both the South African and the EU negotiating teams as being "fairly cagey about what was being discussed." While making clear that the BLNS countries acknowledge there are more advantages than disadvantages associated with free trade in the long run, he felt that the SACU agreement meant "South Africa ought not to have moved into that kind of negotiation without taking members' concerns on board."

"We were anxious to take part, but unfortunately the EU actually told us that we should not participate in the whole thing," Ms. Fakudze said. "We all understood that these were supposed to be negotiations between South Africa and the EU. But despite that, they undertook to brief us now and again and they were also looking at our own positions as BLNS countries," Ms. Fakudze added.

SACU trade by region, 1997 (bn rands)

	SACU imports	SACU exports	%, total SACU trade
EU	54.6	41.1	35
Asia	40.9	28.2	25
North America	18.1	9.1	10
SADC	2.8	15.9	7

Source: South Africa Foundation

Flood of imports

Some sectors will be particularly vulnerable as SACU economies are opened to EU competitors. "The flood of imports of subsidized EU agricultural products will definitely impact negatively," said Mr. Hamutenya, noting that up to 70 per cent of the population in the SACU region is employed in agriculture. Many local observers argue that the export of cheaply priced agricultural goods by the EU to SACU countries constitutes a form of unfair trade known as "dumping" because of the generous subsidies under the EU's Common Agricultural Policy.

Agricultural products — such as dairy products in Namibia, canned fruit and jam in Swaziland, asparagus in Lesotho and flour-based products in Botswana — figured prominently on a list of sectors, cited in the BLNS memorandum, where "difficulties could emerge." Moreover, the document pointed out that the anticipated difficulties faced by SACU producers could range from a loss of domestic market share to EU producers in certain sectors, to a loss of region-wide (SACU) market share and, in some sectors, complete loss of the South African market. Furthermore, some SACU producers faced with large market-share losses likely would be forced to incur significant restructuring costs or close down. Some 12,000 full-time workers across the SACU region are potentially affected, according to the memorandum.

The April 1999 European Commission report concedes that some SACU sectors "might suffer adjustment costs" and admits that certain sectors may need continued protection. For example, throughout the trade pact negotiations, Namibia in particular was worried about its beef industry, with meat products accounting for some 70 per cent of the country's exports. Swaziland was worried about its sugar sector, which provides 17 per cent of its export revenue.

Speaking at a 1997 conference of the European Network for Information and Action on Southern Africa, Mr. Pinheiro specifically referred to the exclusion of sensitive sectors such as beef and sugar from any free trade agreement between the EU and South Africa as "the most effective defensive instrument."

Gains and losses to Southern Africa

Possible gains

- Some local businesses may be able to import inputs more cheaply, thereby boosting profits and corporate tax revenues.
- By being forced to acquire new technology and/or restructure operations, some local businesses may become more competitive.
- Some local businesses will gain greater access to European markets.
- Some imported consumer goods will be cheaper.

Possible losses

- Botswana, Lesotho, Namibia and Swaziland could suffer major fiscal revenue losses.
- Some local producers will lose domestic and/or regional market shares due to intensified competition from EU producers.
- Some local producers will be forced to shut down due to intensified competition from EU producers.
- EU producers could gain access to the South African market on better terms than those on offer to neighbouring Southern African firms.

During the conference, Mr. Pinheiro also made clear his conviction that "sensible plumbing and engineering" could keep painful short-term effects for South Africa and its SACU neighbors to "an absolute minimum and will be far outweighed by [the agreement's] positive effects."

Consequently, beef and sugar were both excluded from the final trade agreement. Moreover, the pact includes a safeguard clause that can be invoked to protect infant industries in the SACU region.

But the exclusion of beef from the free trade agreement will not protect Namibia's beef sector from cheaply priced EU beef products, predicts the SAF study, which notes that highly subsidized beef from the EU is already used in 70-80 per cent of all canned meat in South Africa.

Swaziland's sugar producers also find it difficult to compete with EU sugar sold in the region at artificially cheap prices. And the expected increase in EU exports of products containing sugar (such as beverages and biscuits) to SACU countries under the TDCA will further lower demand for Swazi sugar, according to Mr. Mike Matsebula, Chief Executive Officer of the Swaziland Sugar Association. Faced with lower demand within SACU, Swaziland will be forced to sell more sugar on the world market where the price is much lower than the price in SACU markets, says Mr. Matsebula.

Monitoring problems

"Of course, the problem is that although there might be some [safeguard] mechanisms in place, the fact that [SACU] is a common market really makes it difficult to monitor where these products land and how they actually flow in the market," added Mr. Geiseb.

The trade ministers for Lesotho and Namibia recently expressed similar concerns, stating that they really do not yet know whether the agreed infant industry safeguard clause and protection accorded to sensitive sectors will provide effective protection. Mr. Malie mentioned that he and the other BLNS trade ministers planned to meet in the near future to "flesh out some of the concerns that we have in order to take them up with the EU."

But Mr. Hamutenya stresses that there will be gains as well as losses associated with the trade agreement, with SACU "consumers certainly better off" in terms of the range of cheaper products available. He also believes that it is important for local beef and other agricultural producers to adopt a more aggressive attitude to marketing and to begin to diversify their export markets.

"No doubt the EU-South Africa trade agreement will force the pace of tariff reduction," says Mr. Hamutenya. Noting that South Africa built a high wall of protective trade barriers during the apartheid years, Mr. Hamutenya adds that "it's critical that sooner or later we're going to have to face up to this reduction because of World Trade Organization pressure that tariffs must come down." ■

Trade pact's wider Southern African impact

At the launch of the Southern African Development Coordination Conference (SADCC) in 1980, member states set as a key goal a reduction in their economic dependence on regional giant South Africa. But following the inauguration of a democratic government in 1994, South Africa was actually invited to join the grouping, renamed in 1992 as the Southern African Development Community (SADC). Some of the country's SADC partners now are increasingly concerned about the way in which South African suppliers are gaining increasing market share in the region.

Compounding these concerns are fears in some quarters that the South Africa-European Union trade pact will enable EU companies to use South Africa as an export base from which to make inroads into other Southern African markets, damaging local industries. SADC states also fear that EU exporters will gain access to the South African market on better terms than those available to neighbouring SADC firms.

Speaking at a 1997 conference of the European Network for Information and Action on Southern Africa, Mr. João de Deus Pinheiro, European Commissioner for Development, dismissed speculation that the EU-South Africa trade pact would hurt Southern African businesses, emphasizing that there are "good reasons to be optimistic." Mr. Pinheiro pointed out that the EU made clear in its trade negotiations that South Africa, as a minimum, should give the same trade concessions to its neighbours as it will give to the EU. "This very principle has also been laid down in the SADC trade protocol," he said. "Through this double-locked mechanism, the EU-South Africa trade talks serve as a crowbar for opening up South Africa to the region." Moreover, Mr. Pinheiro predicted that the entire region would benefit because growth in South Africa-EU trade would fuel growth in South Africa, in turn leading it to buy more from its neighbours.

Similarly convinced that the trade deal will have benefits for SADC as a whole, SADC Deputy Executive Secretary Prega Ramsamy explained that the asymmetry principle agreed between South Africa and its partners in the SADC trade protocol negotiations means that the South African "cuts in tariffs will be deeper for the SADC countries than for the EU." (The 14 SADC member states aim to gradually remove tariff and non-tariff barriers to create a free trade area; see box, page 21.)

Mr. Ramsamy also discounted fears that EU companies would be able to encroach on SADC markets by transiting goods through South Africa: SADC rules of origin specify that if more than 35 per cent of a product's inputs originate in SADC countries, the product gets preferential access to the SADC market. And certain bilateral agreements between South Africa and other SADC countries specify a threshold lower than 35 per cent. "It may be that those companies with a very high component of foreign imports won't meet the 35 per cent value-added [threshold] and might have problems penetrating the market," he surmised.

Describing SADC countries' concerns over the EU-South Africa trade deal as "legitimate," an April 1999 study by the South Africa Foundation nevertheless predicts that signature of the SADC trade protocol "will go a long way to providing equal access for products from SADC countries to the South African market." Moreover, the study says the EU-South Africa trade agreement may give an impetus to signing of the SADC trade protocol.

Mr. Hidipo Hamutenya, Namibia's Minister of Trade, shares this view: "There was really no sense of urgency [to trade liberalization in South Africa]. But now that South Africa is focused on the free trade agreement with the EU, they will have the opportunity to speed up the SADC protocol."

If South Africa responds to pressure induced by trade liberalization by acquiring technology to improve competitiveness, then this technology acquisition also will likely penetrate the rest of the SADC market, adds Mr. Ramsamy. "I think it's important in the context of globalization that we should use the region as a stepping stone to the global market, and this is where the South Africa-EU free trade pact comes in."

Getting African films on screen

Festival in Burkina Faso highlights potential, constraints of continent's cinema industry

By **Ernest Harsch**
Ouagadougou

For more than a week, audiences packed theatres in Burkina Faso's capital to watch the latest films by Africa's most talented cinematographers. They laughed, they applauded, and sometimes they cheered. But once the festival was over, the theatres reverted to the kind of programming that is normal throughout the continent: Hollywood high-tech action films or martial arts movies from Hong Kong.

African features account for only 3 per cent of Africa's film market, compared with a 70 per cent share for US films. Burkinabè Prime Minister Kadré Désiré Ouédraogo noted at the 27 February opening of the 16th Pan-African Film and Television Festival of Ouagadougou (Fespaco). "The film production and distribution system has now attained a global scale," he said to a crowd of 35,000 in the national stadium. "This globalization means that African cinema will have to adapt, above all through the creation and efficient management of its own production and distribution structures."

Held every two years in Ouagadougou since 1969, Fespaco is the leading showcase for African cinema, from short films and documentaries to full-length features. This year some 150 films were shown, more than 50 of them competing for prizes, including the prestigious Etalon de Yennenga (Stallion of Yennenga). In addition to an estimated 400,000 local viewers, there were nearly 7,000 filmmakers, producers, critics, journalists and other professionals from every continent.

Like other forms of cultural expression, African cinema influences how Africans view themselves, notes Fespaco Secretary-General Baba Hama. Since African films provide a "mirror for our societies," he says, "it's important that these societies are able to see their own images, and not always be subjected to images from elsewhere."

By reflecting African realities and aspirations, many cinematographers see their medium as a way to preserve their cultural heritage, and draw attention to the continent's pressing problems.

This was reflected at the festival. "Pièces d'Identités," directed by Mwezé Dieudonné Ngangura from the Democratic Republic of Congo and winner of the Etalon de Yennenga, addressed themes of family, emigration, identity and tradition. Ramadan Suleman's "Fools" touched on sexual abuse in post-apartheid South Africa. "Silmandé," by the Burkinabè director Saint-Pierre Yaméogo, was particularly popular for its frank treatment of high-level corruption. "La Jumelle," by Laciné Diaby from Côte d'Ivoire, took up forced marriage and female genital mutilation.

"It's important that African societies are able to see their own images, and not always be subjected to images from elsewhere."

— Baba Hama
Fespaco Secretary-General

"Much of the filmmaking in Africa focuses on human development issues," noted the African-American actor Danny Glover at a seminar on cinema, women and poverty jointly sponsored by Fespaco and the UN Development Programme (UNDP). Therefore, it is important to consider "how we can market these films to create global platforms of awareness about social development in Africa," added Mr. Glover, who is a Goodwill Ambassador of UNDP.

A three-day colloquium on "Cinema and Distribution Networks in Africa" focused on the sobering economic realities facing the African film industry. With intense competition from foreign films, most African films are rarely shown in their own countries, while international distributors pick up only a few. This makes it very difficult to raise commercial financing.

As a result, European donor agencies and several television networks have been key sources of financing. At Fespaco, in addition to the official prizes, some 40 other monetary awards were given out by donor institutions, media houses and non-governmental organizations (NGOs).

Some film industry analysts, such as Mr. Henri Prosper Ky, writing in the Burkinabè daily *Journal du Soir*, believe this heavy dependence on donor assistance influences the kinds of films made and deflects filmmakers from meeting the expectations of Africa's mass audiences. Overall, however, donor aid has been declining.

UNDP

Danny Glover (left) presenting a UNDP prize to Algerian director Mohamed Soudani, for his film "Waalo Fendo."

Professionalism and organization

According to Mr. Idrissa Ouédraogo, a Burkinabè director, governments should develop better national film policies, financing institutions should operate more transparently and consistently, and African filmmakers themselves must approach financing and marketing with greater professionalism. "We can't continue to be just artists," he told the colloquium. "We also have to be politicians."

Ms. Mame Ramatoulaye Salzmann, president of Images and Sounds of Africa, an NGO based in France, insists that African governments become more involved in film distribution, and not leave everything to the private sector. Simultaneously, she says, African filmmakers must be more attentive to consumer tastes.

To bring more African films to broader audiences, various initiatives are under way. Mr. Glover and the celebrated Senegalese director Ousmane Sembène agreed during the festival that they would create a company to produce and market African films. Executives of South Africa's M-NET television network (seen in more than 40 African countries) announced a project to finance new directors and screenwriters.

This year, for the first time, the Fespaco organizing committee attached an additional monetary award to the main prize, to support marketing of the winning film. After the next festival in 2001, it will take the prize-winning films on tour to Johannesburg, Nairobi and Cairo, to promote commercial distribution agreements. ■

Local initiative attacks poverty

UNDER THE BAOBAB TREE

The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.

by
Djibril Diallo
Director, Division of Public Affairs, UNDP

Her name is Awa Diakité. She is a 36-year-old mother of three. Until three years ago, she was like most rural women in Burkina Faso. She lived a life of extreme poverty, barely able to generate the income to feed herself and her three children in spite of the long days she put in at her farm. Not only were harvests poor, the prices paid at the markets were low. But all that has changed, thanks to an innovative programme initiated by the Songtaaba Women's Group, a cooperative movement that has taken root in the country.

Today, Awa is one of hundreds of Burkinabè women helping meet the growing demands of the national and international markets for karite (shea) butter, Burkina Faso's third biggest agricultural export. The cooperative in her village is one of many that have been set up under the auspices of the Songtaaba Women's Group to produce and market karite butter. Awa's role is to help process karite butter after it has been extracted. Through that job, she now earns a stable income and is able to meet her family's basic needs. She is even able to put something aside as savings.

The production from the village cooperative is fed into a nationwide marketing arrangement. Karite butter is used locally as a foodstuff and for making bath soap, laundry soap and other products. It is also exported to the US, Europe and Asia for making chocolate, for baking and for pharmaceutical products and cosmetics.

Traditionally, making karite butter was an exclusively feminine activity in Burkina Faso, but the product's potential in the national and export market had never been fully exploited. Determined to change this, the Songtaaba Women's Group introduced an "assembly line economy of scale" with women's cooperatives as the backbone. It structured the production process so that individual participants are no longer responsible for all steps of production. Instead, each woman works on a specific stage — cultivation of karite nuts, preparation for extraction, oil extraction, further processing of the karite butter (depending on its final use), and packaging.

UNDP

UNDP-funded food cooperative project in Burkina Faso: generating more revenue for women helps combat rural poverty.

The women workers are paid according to their tasks and their availability. To accommodate unique family situations, workers are given flexible hours. They are also given access to a line of credit through the cooperative to improve their financial security. In addition, a special fund established by the group helps members in times of need, such as a death in the family, medical emergencies or school fees.

The result has been a greatly increased level of the production, along with a general improvement in the quality of the product. In turn, there has been a widening of the market for the product, both locally and abroad, with increased orders coming in from such far-flung places as Europe, the Americas and Asia. In 1996, the cooperative successfully identified markets for about 500 tonnes of karite butter with a market value of $410,000.

Even more important is the change that the project has brought to women like Awa. They have seen their lives shift from a daily search for basic subsistence to a situation in which they have become economically empowered and able to command steady incomes. They have a sense of security they never had before. No less than 2,000 women are currently involved in the production of karite butter through the cooperative. Virtually all have stories to tell similar to Awa's.

The karite network is an example of the kind of project which the UN Development Programme (UNDP) supports in its effort to promote sustainable livelihoods in needy communities in the developing world. Since the 1995 Social Summit in Copenhagen and the UN General Assembly's designation of the years 1996 to 2006 as the International Decade for the Eradication of Poverty, UNDP has made the eradication of poverty its over-arching goal.

Nowhere else is the challenge of poverty more visible than in Africa. According to projections, if current trends continue, Africa will enter the next century worse off than it began the current one. In recognition of the peculiar challenge facing Africa, UNDP is channeling a substantial portion of its anti-poverty work to the continent.

Ms. Thelma Awori, Director of UNDP Africa, in reaffirming UNDP's commitment to Africa, told participants at a recent business summit in Houston, Texas, that 50 per cent of total UNDP resources now goes to Africa.

She proclaims her optimism about the continent. At a meeting of UNDP Resident Representatives in Cotonou, Benin, in February, she said that although the situation in Africa is critical, "I am very hopeful that we are now at a turning point in realizing the destiny of Africa." That hope is one that is shared by many. ■

AFRICA AGENDA

FUTURE EVENTS

5-16 July 1999, Durban (South Africa) — Workshop on HIV/AIDS in Sub-Saharan Africa, conducted by the University of Natal. Tel (27-31) 260-2592, fax 260-2587, e-mail <freeman@shep.und.ac.za>.

12-14 July, Algiers (Algeria) — Annual Summit of the Organization of African Unity.

25-27 August, Cambridge (UK) — African Computing and Telecommunications Summit, organized by African Information Technology Exhibitions and Conferences. Tel (44-1480) 831-300, fax 831-131, e-mail <admin@aitec.co.uk>, Web <www.web.co.za/aitec>.

September-December, New York — 54th session of the UN General Assembly.

12-16 September 1999, Lusaka (Zambia) — XIth International Conference on AIDS/STDs in Africa, with theme "Looking into the Future: Setting Priorities for HIV/AIDS in Africa." E-mail <xi-icasa@zamnet.zm>, Web <www.xi-icasa.co.zm>.

19-23 September, Harare (Zimbabwe) — African Conference on Health Research for Development. Contact the Zimbabwe Ministry of Health and Child Welfare, tel (263-4) 703-525, fax 792-480, e-mail <chigorimbo@blair.co.zw>.

20-23 September, Accra (Ghana) — Regional Conference on Brain Drain and Capacity Building in Africa, organized by the UN Economic Commission for Africa (ECA). Contact Peter da Costa, tel (251-1) 51.58.26, fax 51.03.65.

28-30 September, Washington, DC — World Bank/IMF Annual Meetings. Contact Merrell Tuck, tel (1-202) 473-9516, fax 522-2632, e-mail <mtuckprimdahl@worldbank.org>.

21-23 October, Ghent (Belgium) — Belgium's Africa: Assessing the Belgian legacy in and on Africa, conference organized by the University of Ghent. E-mail <belgiumsafrica@africana.rug.ac.be>.

28-31 October, Kampala (Uganda) — Communication in the Third Millennium: Which Way Africa?, international conference hosted by Makarere University and others. E-mail <mmlib@starcom.co.ug>.

WHAT HAS TAKEN PLACE

2-4 June, Arlington, Virginia (US) — AFCOM '99 (Eighth Annual Telecommunications, Informatics and Broadcasting Conference): Facing the Challenges of the New Millennium. Tel (1-703) 691-3570, fax 691-3572, e-mail <afcom@afcomnet.com>, Web <www.afcomnet.com>.

26-27 May, Edinburgh, Scotland (UK) — Africa, Islam and Development was the theme of the annual International Conference of the Centre of African Studies, Edinburgh University. Tel (44-131) 650-3878/9, fax 650-6535, e-mail <African.Studies@ed.ac.uk>.

29 April-1 May, Sacramento, California (US) — Conflict Resolution and Peace Education in/on Africa: Lessons and Opportunities was the theme of the Eighth Annual Africa/Diaspora Conference, organized by California State University's Sacramento Centre for African Peace and Conflict Resolution. Tel (1-916) 278-6282, fax 278-7692, e-mail <uwazieee@csus.edu>.

12-16 April, Grand Baie (Mauritius) — First OAU Ministerial Meeting on Human Rights in Africa. Contact Mr. Harry Ganoo, Mauritius Ministry of Foreign Affairs and International Trade, tel (230) 201-1985, 201-2211, fax 212-6368, e-mail <motas@bow.intnet.mu>.

10 March, New York (US) — Who Speaks for African Women?: Partnerships for Change, organized by Columbia University's Institute of African Studies and others. Tel (1-212) 854-4633.

16-18 March 1999, Washington, DC (US) — US-Africa Ministerial Conference on Partnership in the 21st Century. Tel (1-202) 637-7371, Web <www.state.gov/www/regions/africa/af_ministerial_index.html>.

AFRICA BOOKS

The Dynamics of Economic and Political Relations Between Africa and Foreign Powers: A Study in International Relations by Tukumbi Lumumba-Kasongo (Praeger, Westport, Connecticut, US; 1999; 133 pp; $55)

Turbo-Capitalism: Winners and Losers in the Global Economy by Edward Luttwak (HarperCollins Publishers, New York; 1999; 290 pp; $26)

The Trouble with Capitalism: An Inquiry into the Causes of Global Economic Failure by Harry Shutt (Zed Books, London; 1998; 256 pp; $22.50)

Toward a New International Financial Architecture: A Post-Asia Agenda by Barry Eichengreen (Institute for International Economics, Herndon, Virginia, US; 1999; 200 pp; $18.95)

The Asian Financial Crisis: Causes, Cures and Systemic Implications by Morris Goldstein (Institute for International Economics, Herndon, Virginia, US; 1998; 77 pp; $11.95)

The New Global Economy and Developing Countries: Making Openness Work by Dani Rodrik (Johns Hopkins University Press, Baltimore, Maryland, US; 1999; 100 pp; $13.95)

Hydropolitics in the Third World: Conflict and Cooperation in International River Basins by Aruin Elhance (United States Institute of Peace Press, Washington; 1999; 296 pp; hc $39.50, pb $19.95)

Civil Society: Old Images, New Visions by John Keane (Stanford University Press, Stanford, California, US; 1998; 200 pp; hc $45, pb $16.95)

Elections and Conflict Management in Africa, eds. Timothy D. Sisk and Andrew Reynolds (US Institute of Peace Press, Washington; 1998; 192 pp; $14.95)

State, Conflict, and Democracy in Africa, ed. Richard Joseph (Lynne Rienner Publishers, Boulder, Colorado, US; 1998; 460pp; $65)

Kabila prend le pouvoir, ed. European Institute for Research and Information on Peace and Security (GRIP) (GRIP, Brussels, Belgium; 1998; 180 pp; 595 FB)

Transition without End: Nigerian Politics and Civil Society under Babangida, eds. Larry Diamond et al (Lynne Rienner Publishers, Boulder, Colorado, US; 1997; 516 pp; $55)

Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria and Kenya, 1945-1963 by Robert L. Tignor (Princeton University Press, Princeton, New Jersey, US; 1998; 419 pp; $55)

Hometown Associations: Indigenous Knowledge and Development in Nigeria, eds. Rex Honey and Stanley I. Okafor (Intermediate Technology Publications, London; 1998; 168 pp)

Doing Business in South Africa (International Law Institute, Washington, US; 1997; $55)

Women, the State, and Political Liberalization: Middle Eastern and North African Experiences by Laurie A. Brand (Columbia University Press, New York; 1998; 320 pp; $14.80)

La lutte contre la pauvreté en Afrique subsaharienne by Mbaya Kankwenda, Luc-Joël Grégoire, Hugues Legros and Harouna Ouédraogo (Economica, Paris; 1999; 473 pp; 150 FF, 65 FF in developing countries).

Poverty is increasing in sub-Saharan Africa in both absolute and relative terms, and its multidimensional character makes it particularly difficult to tackle, note the authors of this major study of anti-poverty initiatives in the region. Written by the UN Development Programme's (UNDP) Resident Coordinator in Burkina Faso, Mr. Mbaya Kankwenda, and three other UNDP experts based in that country, the book distills much of UNDP's accumulated experience in the struggle against poverty in Africa and is aimed mainly at development practitioners and policymakers in national governments, civil society organizations, the private sector and donor institutions.

Despite some significant improvements in certain social indicators over the past four decades in Africa, the study finds, poverty has remained a persistent challenge. Both governments and markets have been unable to efficiently and equitably allocate resources to benefit the poor, while poverty eradication policies are still largely designed from the top down, without sufficient involvement by civil society organizations and the poor themselves. The authors argue that the economic, social and political changes now under way in Africa and the rest of the world require the designing of new alliances, institutions and approaches to development, with special emphasis on poverty eradication.

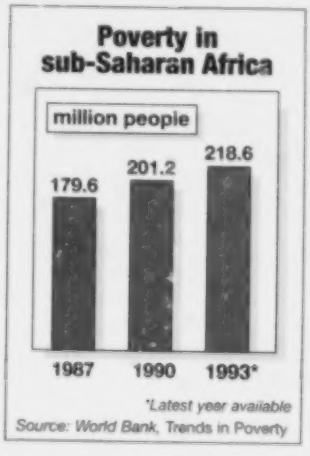
AFRICA IN BRIEF

Global economic turmoil stalls anti-poverty fight

In many developing countries, progress in reducing income poverty stalled in the latter half of this decade, largely because of the impact of the global economic turbulence set off in late 1997 by the Asian financial crisis, the World Bank reported in early June. Although the most immediate repercussions were felt in Asia itself — with 20 million people suddenly falling below the poverty line in Indonesia alone — Africa too was hard hit, notes the Bank's *Trends in Poverty* report.

Because of the lower world commodity prices resulting from the crisis, as well as adverse weather conditions and conflict in a number of African countries, growth in gross domestic product in sub-Saharan Africa in 1998 is believed to have been below the population growth rate, implying a decline in per capita income. As of 1993 (the latest year for which accurate figures are available), sub-Saharan Africa had the highest ratio in the world of people living in poverty, at around 15.3 per cent, and, after Asia, the second highest number of poor people, 218.6 million.

During 1991-95, sub-Saharan Africa was the only world region to register a decline in its real consumption growth rate, averaging -1.3 per cent over the period, with the annual average not expected to exceed 0.1 per cent during 1997-2000. Looking at broad trends in social indicators over the past couple of decades, the World Bank report notes that primary school enrolment rates in sub-Saharan Africa remained stagnant between 1982 and 1994, while all other regions experienced improvements. Infant mortality rates have improved modestly, although continuing poor health conditions and the large numbers of people (22.5 million) living with HIV/AIDS have been reflected in some health indicators: of eight countries in the world with declines in life expectancy of more than three years, six are in Africa (Botswana, Côte d'Ivoire, Kenya, Uganda, Zambia and Zimbabwe). ■



Debt cancellation long overdue — Richard Jolly

Mr. Richard Jolly, special adviser to the Administrator of the UN Development Programme and principal coordinator of its annual *Human Development Report*, has been awarded the Rome Prize for Peace and Humanitarian Action. This was in recognition of his work on the report, as well as his earlier role in helping shape the programmes of the UN Children's Fund (UNICEF).

"The international debt of the poorest countries in the world today is intolerable, unpayable, immoral and inexcusable," Mr. Jolly stated at the award ceremony in Rome in December, conducted by Mayor Sindaco Rutelli. He strongly supported Italy in its call for major reductions in the external debt of the most highly indebted and poorest countries.

Mr. Jolly passed on the $30,000 that came with the prize to Jubilee 2000, an international coalition of non-governmental organizations (NGO) coordinating a campaign for debt reduction, as well as to Italian NGOs focusing on the issue. He said debt cancellation is long overdue, noting that sub-Saharan Africa, while the poorest region in the world, also has the most severe debt burden. "Debt relief," he added, "needs to be linked to actions for human development, in ways which directly benefit poor people."

Forum launched to prepare Africa for Y2K bug

High-level officials from 45 African countries met in Accra, Ghana, in mid-May to discuss how the continent can better respond to the Year 2000 (Y2K) computer bug problem. The Y2K problem refers to the potentially disastrous consequences of most computer programmes using "00" to denote the year 2000, with the danger that date-dependent computer systems will mistake this as the year 1900. Sponsored by the World Bank and the Ghanaian government, the "Getting Africa Ready for the Year 2000" conference urged African countries to formulate regional action and contingency plans and raise public awareness of the issue.

Earlier this year, the World Bank drew attention to the potential dangers to developing countries if the Y2K problem is ignored and results in a general failure of essential, computerized services such as power generation, telecommunications, food and fuel distribution, the provision of medical care and transport.

According to a spokesperson for the International Air Transport Association (IATA) attending the Accra conference, there is a dearth of information on how many African airports have made their computerized trafficking systems immune to the Y2K bug. African airports could face an embargo on their operations if they fail to notify the IATA by mid-1999 of their Y2K preparations. ■

Commodity prices fell further in first quarter

Prices of sub-Saharan Africa's non-energy commodity exports fell an average 7.5 per cent during the first quarter of 1999, according to the World Bank's April 1999 report, *Global Commodity Markets*. Falling prices of cocoa (-13.8 per cent), robusta coffee (-12.6 per cent) and sugar (-25 per cent) accounted for the continued downward trend in the sub-Saharan index of commodity prices.

Petroleum prices rose sharply in March on news of an agreement by the Organization of Petroleum Exporting Countries to cut back oil production in the one-year period from April 1999. But average oil prices for the entire first quarter fell slightly because of low prices in January and February.

The World Bank predicts that most commodity prices should begin a slow recovery in second-quarter 1999, following the sharp drops of recent years. But forecasts of slow world economic growth mean demand for commodities may remain weak. Further erosion of commodity prices cannot be ruled out, with metal prices tipped to suffer further declines, according to the Bank. With production of cocoa, coffee and sugar expected to exceed consumption in the near term, their prices also are not expected to recover soon. ■

AFRICA WATCH

AFRICA-US

Houston forum promotes trade and investment

"Africa wants US technology and capital and the US wants the African market," said Mr. Hidipo Hamutenya, Namibia's Minister of Trade, summing up the merits of cooperation between the two partners at a high-level forum in Houston, Texas, 25-28 April. The "Attracting Capital to Africa Conference," organized by the Washington-based Corporate Council on Africa, was attended by eight African leaders — the heads of state or government of Botswana, Côte d'Ivoire, Equatorial Guinea, Gabon, Ghana, Mauritius and Namibia, and the vice-president-elect of Nigeria — as well as high-level officials from 22 other African countries and more than 750 US business executives.

US exports to Africa grew 8 per cent last year, but overall trade between the US and Africa has lagged considerably behind trade with other regions in the last decade, noted US Secretary of Commerce William Daley, addressing the conference. Mr. Hamutenya described the Houston gathering as the latest in a flurry of initiatives to stimulate corporate America's interest in African markets. Other initiatives included a meeting between 87 African cabinet officials and a dozen of their US counterparts, held in Washington in March and opened by President Bill Clinton. Also, a forum on economic cooperation between the 14-member Southern Africa Development Community and the US was held in Gaborone, Botswana, about a week before the Houston conference. ■

ZANZIBAR DECLARATION

African women demand greater peace role

Women have a central role to play in achieving peace in Africa, hundreds of women from throughout the continent declared at the close of a 17-20 April conference in Zanzibar, Tanzania. Organized by the UN Educational, Scientific and Cultural Organization (UNESCO), with the support of the Tanzanian government and the Organization of African Unity (OAU), the deliberations attracted some 300 women, including 25 cabinet ministers and Ugandan Vice-President Speciosa Wandira Kazibwe. In addition to the final Zanzibar Declaration, the participants adopted a wide-ranging Women's Agenda for a Culture of Peace in Africa and decided that women's groups in areas of conflict — notably Eritrea and Ethiopia, the Great Lakes region, and Sierra Leone — would try to initiate negotiations.

"African women demand that governments, the OAU and the United Nations system take prompt and effective action to enforce equitable representation of women in peace negotiations, conflict prevention and resolution," stated the Zanzibar Declaration. ■

BUSINESS LAW

Regional arbitration court to bolster investor confidence

Sixteen francophone African countries plan to set up a regional commercial arbitration court in Abidjan, Côte d'Ivoire this year. Companies in the region will be able to take their disputes to the new court, where cases will be heard by third-party arbitrators.

The court will move the regional business community closer to the goal of a unified system of commercial law, as set forth in a treaty, signed in Mauritius in 1993, establishing the Organization for Harmonization of African Business Law (OHADA). Analysts expect the move to bolster investor confidence in the region. ■

Secretary-General Kofi Annan has appointed Senegal's former Foreign Minister ***Moustapha Niasse*** *(right) as his Special Envoy for the peace process of the Democratic Republic of Congo. Mr. Niasse's mandate includes identifying the main obstacles to a ceasefire agreement and recommending steps the UN, especially the Security Council and the Secretary-General, could take to promote a negotiated settlement of the conflict.*

UN / E. Schneider

Mr. Annan has also appointed, with the General Assembly's endorsement, ***Mr. Mark Malloch Brown*** *(below), from the UK, as the next Administrator of the United Nations Development Programme, with effect from 1 July 1999. Mr. Malloch Brown, Vice President for External Affairs and Vice-President for United Nations Affairs at the World Bank since 1996, replaces Mr. James Gustave Speth (US).*

UN / M. Grant

Mr. Samuel C. Nana-Sinkam *(Cameroon) has been appointed the Secretary-General's Representative in Guinea-Bissau and head of the UN Peace-building Support Office in that country. At the time of his appointment, Mr. Nana-Sinkam had been since 1995 the Food and Agriculture Organization Representative in Brazzaville, Republic of the Congo.*

The Secretary-General has also appointed a new Special Representative for Western Sahara, ***Mr. William Eagleton*** *(US). Mr. Eagleton was previously UN Special Coordinator for the restoration of essential services in Sarajevo (1994-1997) and served (1988-1994) as Deputy Commissioner-General for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).*

COMESA

Tariffs to be scrapped by October 2000

Regional integration is "not a luxury but an economic imperative," President Frederick Chiluba of Zambia stressed at the opening of the 24-25 May summit of the 21-member Common Market for Eastern and Southern Africa (COMESA). Twelve heads of state and other leaders of COMESA countries met in Nairobi, Kenya, and took up the call to push for regional integration as a key part of the region's strategy for economic transformation.

COMESA members aim to eliminate 90 per cent of internal tariff barriers in the region by October 1999, followed by complete scrapping of internal tariffs by October 2000. Two countries — Madagascar and Egypt — already have cut tariffs by 90 per cent, while eight countries have cut tariffs by 80 per cent, according to a COMESA report discussed at the summit. However, the report noted that some countries are making slow progress in meeting the free trade targets.

COMESA leaders also lamented the waste of the region's resources on conflicts in Angola and the Democratic Republic of Congo, and the border dispute between Eritrea and Ethiopia. "We cannot strengthen trade between us when wars are destroying productive capacity," said Kenyan President Daniel arap Moi, the new chairman of the regional grouping, who urged stronger COMESA conflict resolution mechanisms. ■